

Working paper

Youth Unemployment

Ethiopia Country
Study



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YOUTH UNEMPLOYMENT: ETHIOPIA COUNTRY STUDY

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Abstract

This report provides a comprehensive description of the main characteristics of the youth labour market in Ethiopia. We find that while unemployment in urban areas remain widespread, it declined markedly since 1999 for the economy as a whole and for youth. However, while the economy has demonstrated impressive reductions in unemployment, women have not benefited as much as men. They have significantly higher unemployment rates than their male counterparts and are often confined to the informal sector. In Ethiopia, there has been significant increases in educational attainment, however, there has not been as much job creation to provide employment opportunities to the newly educated job seekers.

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1 Introduction

Youth unemployment is a problem that affects most countries. The ability of youth to engage in productive activities has both social and economic consequences for an economy. Youth unemployment is often higher than the unemployment rate for adults highlighting the concerns that many countries face in facilitating the transition from school to work. In developing countries, youth face not only the challenge of obtaining productive employment, but also obtaining safe and acceptable work.

This paper looks at the youth labour market in Ethiopia. We provide a comprehensive description of the main characteristics of the youth labour market in Ethiopia. This report provides information on the structure and trends of employment/unemployment in Ethiopia. We identify important policy inputs in designing government interventions in the labour market, poverty reduction strategies, and economic growth paths that can help improve the labour market outcomes of Ethiopian youth. The goal of the paper is to provide information on the Ethiopian labour market for youth in order to provide an indication of how Ethiopian youth are able to transition from school to work¹, and hence to assist in designing education and labour market policies².

Youth employment presents a particular challenge to Ethiopia; the country faces growing youth landlessness in rural areas and insignificant rural job creation, potentially leading to an increase in migration to urban areas (World Bank, 2007)³. The concern is whether there will be substantial growth and job creation in urban areas to absorb new labour market participants. This calls for a careful study of the profile of youth labour market participants, educational investments, trends in employment by sector, labour market information systems, the main barriers for youth employment, and the socio-economic challenges of youth.

Effective youth employment policies and interventions require a thorough understanding of who the unemployed youth are, where they are located, and the types of jobs youth are engaged in.

¹Due to the lack of information on job history and the lack of panel data used in this paper, this report does not directly explore youth's transition to work. However, for a discussion of the process by which Ethiopian youth transition to working life refer to Guarcello and Rosati (2007)

²Refer to Krishnan, Selassie and Dercon (1998); Serneels (2001); Dendir (2006); Haile (2003) for a more formal analysis of the youth labor market in Ethiopia.

³According to the current land tenure system, land is under government ownership and households are granted usufruct rights. Households migrating to urban areas are required to abandon these rights to their agricultural land. This coupled with scant work opportunities in urban areas results in rural-urban migration which is generally low in Ethiopia (Dorosh and Schmidt, 2010).

This paper uses descriptive analysis using nearly nationally representative data collected at four points in time: 1999/00, 2004/05, 2009 and 2011, to provide a comprehensive description of the main characteristics of youth labour market participants in Ethiopia.

2 Economy

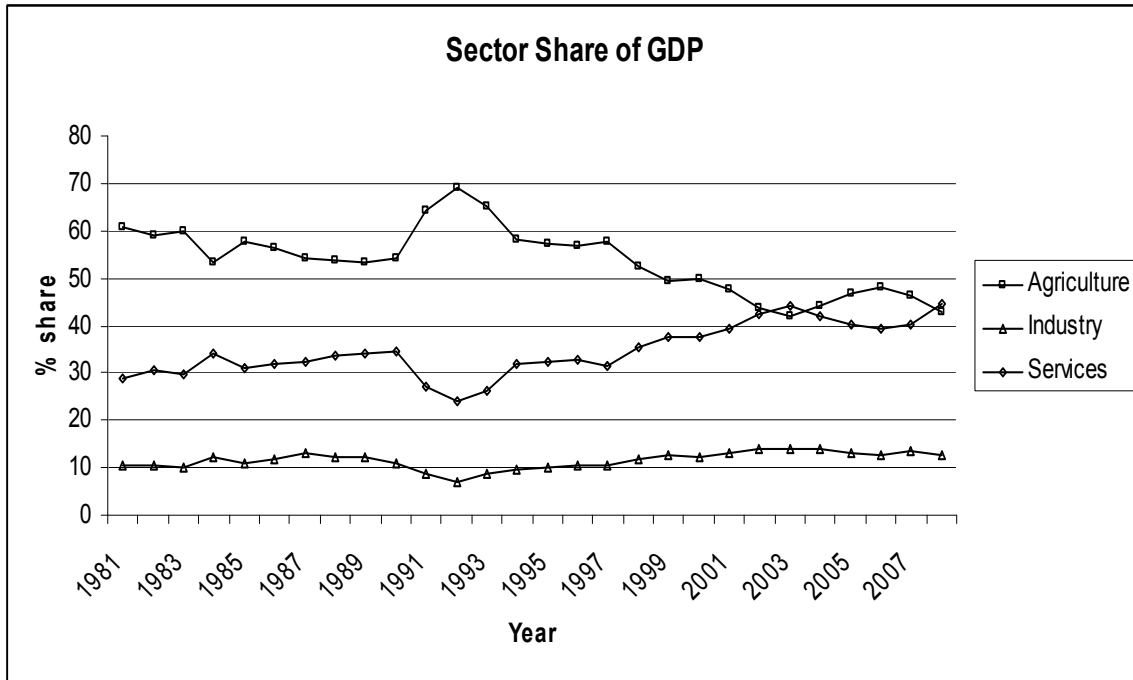
Unemployment and particularly youth unemployment is closely linked to the state of the economy. In order to provide an overall assessment of the youth labour market it is important to provide an assessment of Ethiopia's overall economic situation. In this section we provide a brief overview of the country's economic situation and the current labour market institutions.

Agriculture is the largest sector in the Ethiopian economy contributing over 40 percent to Gross Domestic Product (GDP), 60 percent of exports, and employing approximately 85 percent of the country's population (World Bank, 2012). Services constitute the second largest component of GDP, also contributing slightly over 40 percent, and finally industry contributes a little over 10 percent (See Figure 1 Below).

In recent years Ethiopia has displayed remarkable economic growth and substantial decreases in poverty (Woldehanna, Hoddinott and Dercon, 2008). The country has witnessed double digit economic growth in most of the years after the turn of the century albeit there has been a couple of downturns due to drought. Between 2005 and 2010 the economy grew on average by 11 percent, which is well above the planned target of growth (See Table 1). Figure 2 from Easterly (2002), using data from the World Bank's World Development Indicators, depicts the annual growth rates of GDP and for each sector. Since about 1995 the service and industry sectors have outgrown the agricultural sector, though agriculture made a recovery after the 2002 drought. Yet while most of the country's growth potential appears to come from the industry and services sectors, the government has chosen to emphasize the agricultural sector in pursuing economic growth.

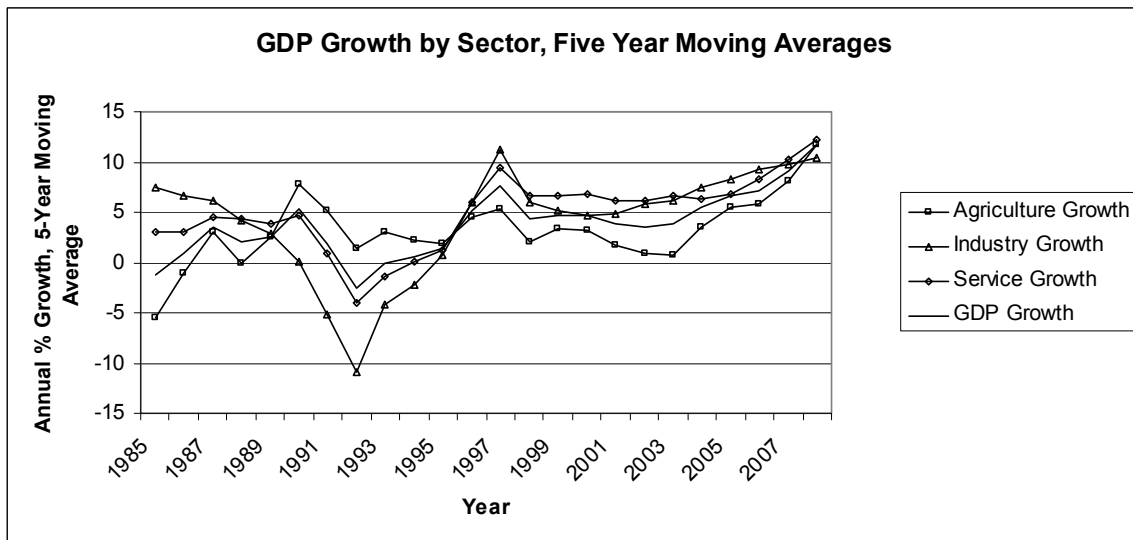
Between 2005 and 2010, the service sector exhibited remarkable performance (far more than planned), however, the industrial sector under-performed and even failed to hit its base case target (Refer to Table 1). This signals an important structural weakness of the economy as success in the industrial sector is believed to be key for sustainable employment and growth of the economy. Table 2 provides targets and achievements in key sub-sectors between 2005 and 2010. The table

Figure 1: Sector Share of GDP



Source: World Development Indicators

Figure 2: GDP Growth by Sector



Source: World Development Indicators

Notes: Figure 2 from Easterly (2002) Growth in Ethiopia: Retrospect and Prospect.

confirms the low performance of the industrial sector compared to that of agriculture. Agricultural product exports targets are largely achieved, while the performances in industrial products are distressingly low (for example less than 5.5% for textile and garment, 34% for leather, and 36% for cement). Part of this is due to the government’s emphasis on the agricultural sector.

Table 1: Growth in GDP and Main Sector Share in PASDEP: Planned vs. Performance

Sector	Planned Average Growth Target (2005/6-2009/10)		Average Growth Achieved (2005/6-2009/10)	Percentage Share of Real GDP (2009/10)
	Base Case	High Case		
Real GDP	7.0	10.0	11.0	100.0
Agriculture	6.0	6.4	8.4	41.6
Industry	11.0	18.0	10.0	12.9
Services	7.0	10.3	14.6	45.5

Source: MoFED (November 2010) Growth and Transformation Plan (2010/11 - 2014/15)

Table 2: PASDEP Key Sub-Sector Performance: Target vs. Achievement (2005/6-2009/10)

Sub-Sector	Unit and Main Purpose	Target (millions)	Achievement (millions)	% Achievement
Agricultural products	USD, export	1550	1517	97.9
Coffee production	TON	0.42	0.34	81.0
Horticulture	QTS	27.2	12.8	47.1
Cement	TON*	4.7	1.7	36.2
Leather and Leather Products	USD, export	221	75.73	34.3
Textile and Garment	USD, export	500	21.8	4.4

Source: MoFED (November 2010) Growth and Transformation Plan (2010/11 - 2014/15)

*Pr annum local use

2.1 Labour Market Policies and Institutions

The existing institutions and legal entities mainly concern the formal and wage employment sector. Employment in the informal sector and self-employment, despite being huge employers of youth, receive minimal attention. The 1993 (revised 2003) labour proclamation has no provision to serve the informal sector and the self-employed. The main provisions of the proclamation relate to employment relations (contract formation, extension, terminations), wage determination, hours of work, leave permits, occupational safety and working environments (FDRE, 1993)⁴. The proclamation also has provisions for women and working young people (14-18 years of age). The minimum

⁴Employer-employee relations are governed by the Exchange Service Proclamation (FDRE, 2009) and the Right to Employment of Persons with Disability (FDRE, 2008).

working age is 14. The maximum working hours for young people is 7 hours a day (adults 8 hours). Moreover some specific jobs deemed dangerous such as working in transport of passengers and goods by road, rail, air and internal waterway; docksides and warehouses involving heavy weight lifting; works in electric power plants; underground work such as mines, digging tunnels and so on are prohibited for women and young people.

Ethiopia has very low unionization (MoLSA, 2009). The number of member workers of the Confederation of Ethiopian Trade Unions (CETU) represents only 1% of the total labour force in the country. Agriculture and the informal nature of the economy is cited as the major reason for low level of unionization (World Bank, 2007). Another reason for the low level of unionization, especially in the formal private sector, is high unemployment and low income which is likely to dwarf the bargaining power of employees in favor of employers due to the risk of job loss. Moreover, there is low enforcement of the labour proclamation especially in the private sector. According to the World Bank's 2002 firm level Investment Climate Survey (ICA), labour regulations and relations are not regarded as major business impediments by firms (World Bank, 2007).

Recognizing the weakness of the current labour market system and the need to integrate it with economic growth and poverty reduction strategies, the government prepared the National Employment Policy Strategy (NEPS) in 2009. The NEPS of Ethiopia provides a framework to guide interventions aimed at improving employment and its poverty outcomes in the country (MoLSA, 2009). The NEPS aims to address problems of unemployment; underemployment, poor working conditions, and the lack of job protection particularly in the informal sector through a coordinated employment policy that ensures a smooth operation of labour demand, labour supply and labour market institutions.

2.2 Five Year Development Plans

Five year development plans are the main guidelines of government policy in Ethiopia. They outline the overall strategic priorities and policies of the government. The country's development plans emphasize creating employment and income-earning opportunities in the modern sector, the informal sector, and on farms. Unemployment and underemployment are targeted with special attention given to youth and women. The 2005/6-2009/10 plan, A Plan for Accelerated and Sustained Development to End Poverty (PASDEP), explicitly acknowledged the issue of the labour market

and unemployment, particularly youth unemployment, by incorporating in the plan the Education, Training and the Employment of Youth sections of the 2004 National Youth Policy (FDRE, 2004). The plan focused on job creation through private sector participation, with particular emphasis given to Micro and Small Enterprises (MSE), based on their potential to create employment opportunities. The plan also addressed improving the quality of education and integrating Technical and Vocational Education and Training (TVET) with the job requirements of the economy, which were identified as key problems leading to rising unemployment particularly in urban areas. Other solutions included special efforts to provide skills training to the unemployed and public works employment interventions (MoFED, September 2006).

The current 5 year development plan 2010/11-2014/5, the Growth and Transformation Plan (GTP), does not directly address the issue of youth unemployment, but rather implicitly through improved performance of the various sectors in the economy. The plan also addresses the economic and social challenges faced by women and youth. Private sector development, particularly MSEs, continue to receive special attention as potential employment hubs and poverty reduction mechanisms. The plan emphasizes tailoring TVET programs with the demands of the economy and to continue to scale up MSE expansion as strategies tackling unemployment in the country (MoFED, November 2010).

3 Data and Definitions

This brief overview of the economy and labour market institutions highlights the growth potential for the country. The ability of the country to sustain its impressive growth rates can provide potential job opportunities for Ethiopian youth that will be entering the labour market. What follows is a detailed description of the youth labour market in Ethiopia.

Data comes from the 1999/2000 and 2004/2005 labour force surveys, and the 2009 and 2011 urban employment and unemployment surveys. The 1999/2000 and the 2004/2005 labour force surveys are nationally representative surveys covering both the rural and urban areas of all regions⁵. The 2009 and 2011 urban employment and unemployment surveys covered all urban parts of the country.

⁵The exceptions being that in 1999 only 3 zones were covered in the Affar region and only three zones in the Gambella Region. In 2005, only the urban area is covered in the Gambella Region and only two zones in the Affar Region. In 1999 and 2005 only three zones in Somali Region are covered.

The surveys provide information on the size and characteristics of the economically active and the non-active population of the country aged 10 years and over.

The size of the study in 1999 consisted of 1423 Enumeration Areas (EAs) and 49,614 households in rural areas and 911 EAs and 31,859 households in urban areas. In 2005, the size of the study decreased to 830 rural EAs with 24,861 households and 720 urban EAs with 21,420 households. For the urban employment and unemployment survey in 2009, 525 EAs were sampled with 15,575 households. In 2011, 660 EAs were sampled with 19,730 households.

The sample used in this report consists of all household members between the ages of 15-65. The focus of the paper will be on the youth population. Most international organizations and countries use the age range from 15-24 to classify youth; the Ethiopian government defines youth as those between the ages of 15-29. In accordance with the Ethiopian government the study also uses the 29 year old cut-off for youth. There is no minimum school leaving age in Ethiopia, however, primary school ends with grade 8, when students would be approximately 14 years old. Only students who pass the regional exam in grade 8 continue to high school, those who do not pass the regional exam are forced to join the labour force⁶. Therefore, we use the lower age cut-off of 15⁷. This leaves us with a final sample size of 189,919 individuals in 1999, 99,196 of which are youth, 128,389 individuals in 2005 of which 70,217 are youth, 46,943 individuals in 2009 of which 26,636 are youth and 47,180 individuals in 2011 of which 26,768 are youth. We apply population weights to the data making them nationally and regionally representative.

Individuals who report being engaged in any economic activity defined in terms of production of goods and/or services for sale or exchange, engaged in the production of certain products for own consumption⁸, or were available to be engaged in any economic activity for at least half of the total number of weeks in the twelve month period were classified as economically active. Individuals were classified as employed if their employment period was greater than their availability period.

The standard measurement of unemployment is based on the following three criteria that must be satisfied simultaneously; without work, “currently available for work” and “seeking work” (ILO,

⁶The absence of a minimum school leaving age will have consequences for child labour, however we restrict this study to teenagers and young adults. The causes and consequences of child labour is an important topic but will not be the focus of this study.

⁷Also the minimum working age is 14.

⁸Unpaid household chores such as preparing food, cleaning the house, taking care of children or collecting firewood for own consumption is not considered in the category of economic activity.

1982). However, the standard definition of unemployment, with its emphasis on seeking work criterion, might be restrictive and might not fully capture the prevailing employment situations in many developing countries including Ethiopia. Hence, we relax the requirement that the respondent must be actively seeking work. An individual is classified as unemployed if the individual is without work and is available for work⁹.

The informal sector plays an important role for employment in many developing countries. The surveys included three questions to identify the sector of the economy in which employed persons were engaged as their main activity. “A person is considered to work in the informal economy when he/she is engaged in a business or enterprise that does not keep book of account, has less than 10 workers, and has no business/enterprise license”. This excludes individuals who were engaged in subsistence farming and those who worked in private households.

Like informal sector employment, underemployment is a measure of the difficulties individuals encounter when entering the labour market. Individuals who report being employed were asked if they were available and ready to work additional hours. Individuals who responded yes were coded as underemployed¹⁰.

4 Characteristics of The Ethiopian Labour Market

4.1 Population

The youth labour market is of particular concern in developing countries such as Ethiopia due to a high proportion of youth in the demographic profile. There is a belief that more youth in the population create difficult pressures on the labour market and a growing youth population can have important long run implications on youth unemployment. In 2007, Ethiopia’s population was estimated at 73 million people (CSA, 2010), this represented a 38 percent increase from 1994. The youth population totaled over 20 million, representing 28 percent of the population¹¹. If we look

⁹The availability in this situation is tested by asking the willingness to take up work for wage or salary in locally prevailing terms, or readiness to undertake self-employment activity, given the necessary resources and facilities.

¹⁰The formal definition of underemployment as defined by ILO (1997) requires not only for the respondent to be available and ready to work but also to have worked less than the normal duration of work. We exclude the last requirement in our definition of underemployment.

¹¹This proportion is higher than other published reports due to us defining the youth population as individuals between the ages of 15 and 29.

only at youth between the ages of 15 and 24, the youth population represented 20 percent of the total population in 2007.

When we consider the share of the youth labour force relative to the total labour force, we see a slightly different picture. In 1999, the youth labour force, those between the ages of 15 and 24, represented 35 percent of the labour force. In 2011, their share fell significantly to 28 percent of the labour force. This fall in the share is mostly due to decreases in labour force participation as there has been a global trend in increases in participation rates of youth in education (O'Higgins, 2001, 2003).

4.2 National Trends

In order to assess the labour market in Ethiopia for the youth population, an assessment of the overall labour market is required. Table 3 provides labour force participation rates (LFP), employment to population ratios (employment rate), unemployment rates, underemployment rates and informal sector rates for the country as a whole and separately for rural and urban areas. Rates are provided for the total population between the ages of 15 and 65 and for the youth population. For the youth population, we provide rates for youth between the ages of 15 and 24 and also for a broader group of youth between the ages of 15 and 29. The national and rural rates are provided for 1999 and 2005, the urban rates are provided for the years 1999, 2005, 2009, and 2011.

In 2005, 86 percent of Ethiopians participated in the labour market. Labour force participation rates were higher in rural areas than in urban areas, 89 and 73 percent, respectively. The high labour force participation rates are not unusual for poor countries since they tend to have an absence of social security systems and low wages/income (ILO, 2011). In fact, Ethiopia has one of the highest labour force participation rates, the sixth highest in the world. In 2009, the average LFP rate for Sub-Sahara Africa and East Asia was 71 percent, the average for the least developed countries (LDC) was 74 percent, and for high income countries the average was 61 percent (World Bank, 2012).

Ethiopia's employment to population ratio was 81 percent in 2005. The rate was 86 percent in rural areas and 58 percent in urban areas. The unemployment rate for the country stood at 6 percent. The table shows that the country's unemployment rate is driven almost entirely by unemployment

in urban areas. While unemployment appears to be an urban problem, the proportion of employed Ethiopians who were underemployed was present in both rural and urban areas. 28 percent of employed Ethiopians reported being underemployed, 27 percent in rural areas and 34 percent in urban areas. The table also reports the share of workers employed in the informal sector. For 2005, the share of employed persons employed in the informal sector was 90 percent¹². In urban areas the informal sector employed 42 percent of the employed population.

Between 1999 and 2005, the labour market in Ethiopia improved; labour force participation and employment rates went up, unemployment and underemployment rates went down. LFP and employment rates increased between 1999 and 2005 at the national level due to an increase in LFP and employment rates in rural areas. Between 1999 and 2005, rural LFP rates increased by 5 percentage points and rural employment rates increased by 7 percentage points. However, in urban areas, LFP declined between 1999 and 2005, while employment rates remained roughly unchanged.

Increases in the employment to population ratio are often seen as an indicator of a country's ability to create jobs. Possible explanations for the increase in participation and employment rates in rural areas could be due to increases in training that occurred between 1999 and 2005 or due to the introduction of the government's Productive Safety Net Program (PSNP) which provides public work opportunities for chronically needy communities. Both which would disproportionately benefit the youth population. We discuss the country's PSNP in more detail below.

Between 1999 and 2005, urban LFP rates decreased by 4 percentage points. The fall in participation rates in urban areas was due to increases in educational attainment¹³. The fall in LFP rates continued through 2009, decreasing a total of 7 percentage points since 1999. Urban unemployment rates also fell between 1999 and 2011. The fall in the LFP and unemployment rates along with the unchanged employment rates suggest that the individuals dropping out of (or delaying entry into) the labour market are individuals with the least skills (youth). Between 1999 and 2011, urban unemployment rates fell by 8 percentage points.

¹²In the 1999 labour Force Survey, most rural individuals who reported their employment status as self-employed or an unpaid family worker were coded as informal sector workers, as most had not met the requirements for formal sector employment (book of account, more than 10 employees, and business containing a license), however in 2005 most self-employed and unpaid family workers reported that their place of employment was in the formal sector (i.e. meeting at least one of the requirements for formal sector employment). We have recoded all rural self-employed and unpaid family workers as being employed in the informal sector. As not all self-employed and unpaid family workers in 1999 were informal sector employees, the national and rural informal sector rates may slightly overestimate the share of informal sector employees.

¹³Because we use the completely relaxed definition of unemployment, discourage workers are included as labour force participants if they are available to work.

Changes in the urban labour market between 1999 and 2005 are also displayed in the underemployment and informal sector rates. Underemployment fell between 1999 and 2005 but then rose between 2005 and 2009 only to fall again between 2009 and 2011. Between 1999 and 2011 underemployment fell by 6 percentage points. In 2011, 35 percent of employed Ethiopians in urban areas were employed in the informal sector; a fall of 21 percentage points from 1999's level.

Table 3 also shows that Ethiopian youth have lower participation and employment rates, and higher unemployment and informal sector employment rates than the country average. This is true for both rural and urban areas of the country. In 2005, 79 percent of Ethiopian youth between the ages of 15 and 24 participated in the labour market; including youth up to the age of 29, their participation rate was 82 percent. The employment to population ratios were 73 and 76 percent for youth 15 to 24 and youth 15 to 29 respectively. The youth unemployment rate was slightly higher than the national average at 8 percent for youth 15-24 and 7 percent for youth 15-29. Underemployment rates were lower than the national average with 25 percent underemployment for youth 15-24 and 27 percent underemployment for youth 15-29. Youth informal sector rates were roughly the same as the national average.

When we look at rural and urban areas separately, we notice drastic differences when comparing youth across rural and urban areas as well as comparing youth to adults. The first noticeable difference is the share of rural youth participating in the labour market compared to urban youth. In 2005, 84 percent of rural youth between the ages of 15 and 24 participated in some form of economic activity compared to only 57 percent of urban youth. The differences in urban and rural labour market participation is primarily due to educational participation. With fewer opportunities for education and higher levels of poverty in rural areas, rural youth are more likely to participate in the labour force (Denu, Tekeste and van der Deijl, 2005). The second noticeable difference is that youth in rural areas face very similar labour market outcomes as the adult rural population. In urban areas however, youth encounter different labour market outcomes than the adult urban population.

Table 3: labour Market Characteristics for Total Population and for Youth Population

	National					Rural					Urban				
	LFP	EMP	UNEMP	UNDER EMP	INF SECT	LFP	EMP	UNEMP	UNDER EMP	INF SECT	LFP	EMP	UNEMP	UNDER EMP	INF SECT
(Age 15-65)															
1999	0.82	0.76	0.08	0.48	0.92	0.84	0.79	0.05	0.47	0.97	0.77	0.57	0.26	0.54	0.56
2005	0.86	0.81	0.06	0.28	0.90	0.89	0.86	0.03	0.27	0.96	0.73	0.58	0.21	0.34	0.42
2009											0.70	0.56	0.21	0.50	0.37
2011											0.71	0.58	0.18	0.48	0.35
(Age 15-24)															
1999	0.78	0.69	0.12	0.50	0.94	0.81	0.76	0.07	0.49	0.98	0.64	0.39	0.38	0.54	0.65
2005	0.79	0.73	0.08	0.25	0.91	0.84	0.81	0.04	0.25	0.96	0.57	0.41	0.29	0.30	0.45
											0.52	0.37	0.29	0.48	0.39
											0.51	0.37	0.28	0.47	0.38
(Aged 15-29)															
1999	0.81	0.72	0.11	0.51	0.93	0.83	0.78	0.07	0.51	0.97	0.71	0.47	0.34	0.56	0.60
2005	0.82	0.76	0.07	0.27	0.90	0.87	0.83	0.04	0.27	0.96	0.65	0.48	0.27	0.33	0.43
2009											0.62	0.46	0.26	0.51	0.35
2011											0.62	0.47	0.24	0.49	0.34

Notes: Employment rates are a proportion of the total population.

Urban youth have lower labour force participation rates and employment to population ratios. In 2011, youth between the ages of 15 and 24 had LFP rates that were a magnitude of 20 percentage points lower than the urban average, the difference falls to 9 percentage points when we include youth between the ages of 25 to 29. In 2011, youth employment rates were between 11 and 21 percentage points lower than the urban average. Unemployment rates were between 6 and 10 percentage points higher for urban youth than the urban average. For informal sector employment, urban youth are slightly more likely to be employed in the informal sector.

4.3 Regional Trends

The regional distribution and trends in employment to population ratios and unemployment rates in Ethiopia are shown in tables 4 and 5. Table 4 reports the employment to population ratios and unemployment rates for the 15-65 population while table 5 reports the rates for the youth population (15-29). The table provides rates for 1999 and 2005 for both rural and urban areas and rates for 2011 for urban areas.

In 2005, Gambella (45 percent), Addis Ababa (51 percent), and Dire Dawa (61 percent) had the lowest employment-to-population ratios and the highest unemployment rates at 18 percent, 26 percent, and 29 percent for Dire Dawa, Gambella, and Addis Ababa respectively. The low employment rates and high unemployment rates for Addis Ababa and Dire Dawa are not surprising given that both are chartered cities with over 60 percent of their populations living in urban areas¹⁴. Amhara and SNNP had the highest employment to population ratios at 85 percent, above the national average of 81 percent. Benishangul-Gumuz had the lowest unemployment rate of 7 percent, the only region to have an unemployment rate below 10 percent.

In 2005, rural employment rates were lowest in Addis Ababa (75 percent) and Affar (78 percent), with rates below 80 percent. Rural unemployment in Addis Ababa was 10 percent, well over the rural average of 3 percent¹⁵. Urban employment rates were lowest in Gambella (45 percent) and Somali (48 percent) region. Somali, Harari and Dire Dawa regions had the highest urban unemployment rates of 32 percent, 32 percent, and 33 percent respectively.

¹⁴Based on the 2007 census, 16 percent of Ethiopia's residents live in urban areas. Harari, Addis Ababa, and Dire Dawa regions each had urban population shares greater than 50 percent. In Gambella region, approximately 25 percent of its residents live in urban areas.

¹⁵One possible explanation for the high rural unemployment in Addis Ababa could be due to the high proportion of immigrants residing in the suburbs of Addis Ababa.

Table 4: Employment-Population Ratios and Unemployment Rates by Region

Region	Employment-Population Ratio						Unemployment Rate					
	1999		2005		2011		1999		2005		2011	
	Total	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban
TIGRAY	0.75	0.78	0.57	0.79	0.84	0.60	0.10	0.04	0.21	0.11	0.03	0.21
AFFAR	0.72	0.76	0.62	0.69	0.78	0.59	0.09	0.05	0.22	0.12	0.07	0.19
AMHARA	0.75	0.77	0.59	0.85	0.88	0.60	0.12	0.06	0.21	0.10	0.02	0.21
OROMIYA	0.79	0.81	0.64	0.82	0.85	0.61	0.09	0.04	0.18	0.11	0.03	0.20
SOMALI	0.73	0.80	0.54	0.70	0.80	0.48	0.12	0.06	0.30	0.17	0.05	0.32
BENISHANGUL-GUMZ	0.77	0.79	0.64	0.82	0.83	0.69	0.06	0.04	0.17	0.07	0.03	0.12
SNNP	0.80	0.81	0.63	0.85	0.87	0.62	0.07	0.03	0.16	0.10	0.03	0.20
GAMBELLA	0.64	0.66	0.57	0.45	0.45	0.45	0.13	0.10	0.19	0.26	0.07	0.26
HARARI	0.62	0.70	0.57	0.65	0.80	0.54	0.18	0.11	0.29	0.16	0.07	0.27
ADDIS ABABA	0.47	0.69	0.47	0.51	0.75	0.51	0.38	0.07	0.38	0.29	0.10	0.32
DIRE DAWA	0.61	0.84	0.51	0.61	0.86	0.53	0.16	0.03	0.35	0.18	0.03	0.33
Total	0.76	0.79	0.57	0.81	0.86	0.58	0.11	0.05	0.22	0.14	0.03	0.24

Notes: Employment rates are a proportion of the total population.

Table 5: Youth Employment-Population Ratios and Unemployment Rates by Region

Region	Employment-Population Ratio						Unemployment Rate											
	1999			2005			2011			1999			2005			2011		
	Total	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban
TIGRAY	0.70	0.74	0.47	0.74	0.81	0.50	0.43	0.06	0.29	0.16	0.04	0.29	0.16	0.04	0.29	0.27	0.06	0.29
AFFAR	0.69	0.77	0.49	0.61	0.73	0.49	0.41	0.06	0.33	0.16	0.09	0.24	0.16	0.09	0.24	0.22	0.06	0.24
AMHARA	0.73	0.76	0.47	0.81	0.86	0.49	0.46	0.07	0.30	0.14	0.03	0.27	0.14	0.03	0.27	0.27	0.07	0.27
OROMIYA	0.76	0.80	0.55	0.77	0.82	0.50	0.50	0.06	0.25	0.14	0.04	0.26	0.14	0.04	0.26	0.22	0.06	0.26
SOMALI	0.69	0.80	0.44	0.64	0.78	0.35	0.31	0.09	0.37	0.21	0.07	0.41	0.21	0.07	0.41	0.26	0.09	0.41
BENISHANGUL-GUMZ	0.72	0.74	0.53	0.77	0.80	0.60	0.52	0.04	0.26	0.10	0.04	0.17	0.10	0.04	0.17	0.13	0.04	0.17
SNNP	0.75	0.78	0.53	0.79	0.83	0.50	0.52	0.04	0.22	0.14	0.04	0.25	0.14	0.04	0.25	0.18	0.04	0.25
GAMBELLA	0.54	0.57	0.47	0.33	0.33	0.33	0.52	0.15	0.24	0.34	0.34	0.34	0.34	0.34	0.34	0.13	0.15	0.24
HARARI	0.56	0.71	0.47	0.54	0.72	0.42	0.58	0.12	0.36	0.22	0.09	0.37	0.22	0.09	0.37	0.18	0.12	0.36
ADDIS ABABA	0.38	0.68	0.38	0.43	0.69	0.43	0.44	0.08	0.47	0.35	0.12	0.38	0.35	0.12	0.38	0.28	0.08	0.38
DIRE DAWA	0.54	0.83	0.42	0.53	0.82	0.44	0.45	0.04	0.43	0.22	0.06	0.39	0.22	0.06	0.39	0.29	0.04	0.39
Total	0.72	0.78	0.47	0.76	0.83	0.48	0.47	0.06	0.29	0.18	0.05	0.30	0.18	0.05	0.30	0.23	0.06	0.29

Given the growth in the number of Ethiopians migrating to urban areas, it is also interesting to look at unemployment trends in urban areas. Between 1999 and 2011, the average urban unemployment rate fell in each region. The fall in urban unemployment holds even if we look at the shorter horizon from 2005 and 2011. Urban unemployment in Gambella region fell by 53 percent between 1999 and 2011, followed by Harari region where urban unemployment fell by 52 percent. Regional urban unemployment rates fell between 5 and 53 percent between 1999 and 2011.

Table 5 reports the regional distribution and trends in employment to population ratios and unemployment rates for the youth population. The trends and regional distribution observed for the total population are the same for the youth population.

5 Characteristics of the Youth labour Market

In this section we focus on the characteristics of Ethiopian youth involved in the labour market. We focus on men and women separately, identifying the skills that Ethiopian youth bring to the labour market. We also look at the characteristics of the unemployed youth and the resources they use to find employment. To better understand the opportunities available to youth, we identify the industries they are most likely to be employed in and their occupational choice. We also describe the level of satisfaction with and the quality of the jobs youth are employed in. In what follows we primarily use the 1999 and 2011 sample and focus on the urban area sample.

5.1 Gender

Table 6 replicates table 3 separately for male and female youth. Table 6 shows that the labour market for male and female Ethiopian youth drastically differ from each other. Generally LFP is higher for men than for women. In 2005, 79 percent of Ethiopian women between the ages of 15 and 29 were participating in the labour force whereas 86 percent of Ethiopian men between the ages of 15 and 29 were participating in the labour force. For men, this was a slight decrease from 87 percent participation in 1999 whereas for women this was an increase from 75 percent in 1999. The differences are even more pronounced when we look at employment and unemployment rates. Male youth had an employment to population ratio of 83 percent and an unemployment rate of 4 percent, compared to the employment to population ratio for female youth of 71 percent and an

unemployment rate of 11 percent.

Table 6 suggests that the main differences in labour market outcomes between youth and the national average are driven by differences in outcomes by gender. This is true for both rural and urban areas. The differences in labour market outcomes for men and women is not unique to Ethiopia. In general, men have more employment opportunities than women. Women have less access to education, formal sector employment, social security, and government employment programs (Todaro and Smith, 2008).

Male and female youth in rural and urban areas have witnessed improvements in the labour market since 1999. Rural employment to population ratios have risen and unemployment has fallen. For male youth in rural areas, underemployment appears to be the primary obstacle they encounter, although even this has improved significantly between 1999 and 2005. In 1999, 56 percent of all employed male youth were not satisfied with the amount of hours they worked. In 2005, the share fell to 30 percent. For urban male youth, labour force participation rates have fallen; a product of increased education participation as Ethiopian youth are delaying entering the labour market to acquire more skills. There has not been significant decreases in employment to population ratios, however, unemployment has fallen significantly. Employed urban male youth have also decreased their participation in the informal sector. In 2011, 29 percent of urban male youth were employed in the informal sector, a 22 percentage point decrease from 1999's level.

These positive trends have also been observed for female youth. Unfortunately, the drastic differences between female and male outcomes are even more pronounced when we observe rural and urban areas separately. Even though unemployment is low in rural areas, for female youth unemployment rates were at 6 percent in 2005 compared to an unemployment rate for male youth of only 1 percent. For urban areas, female youth outcomes are even more disturbing. In 2011, unemployment rates for female youth were at 30 percent, 14 percentage points higher than for male youth. The average unemployment rate for urban areas was 18 percent (table 3). Women are also more likely to participate in the informal sector. In 2011, 41 percent of employed women were employed in the informal sector.

Table 6: Youth labour Market Characteristics By Gender

	National					Rural					Urban					
	LFP	EMP	UNEMP	UNDER EMP	INF SECT	LFP	EMP	UNEMP	UNDER EMP	INF SECT	LFP	EMP	UNEMP	UNDER EMP	INF SECT	
(Men 15-29)																
1999	0.87	0.82	0.06	0.56	0.92	0.90	0.87	0.03	0.56	0.97	0.73	0.54	0.25	0.58	0.51	
2005	0.86	0.83	0.04	0.30	0.88	0.91	0.90	0.01	0.30	0.94	0.64	0.52	0.19	0.35	0.36	
2009											0.66	0.54	0.17	0.53	0.33	
2011											0.66	0.55	0.16	0.51	0.29	
(Women 15-29)																
1999	0.75	0.63	0.16	0.45	0.94	0.77	0.69	0.11	0.44	0.98	0.70	0.41	0.42	0.53	0.69	
2005	0.79	0.71	0.11	0.24	0.93	0.83	0.77	0.06	0.23	0.98	0.66	0.44	0.33	0.30	0.51	
2009											0.59	0.39	0.34	0.48	0.38	
2011											0.58	0.40	0.30	0.47	0.41	

Notes: Employment rates are a proportion of the total population.

5.2 Education

It is widely believed that improvements in the quality and quantity of education can raise employment at the individual and country level. In this subsection we discuss the trends in educational attainment in Ethiopia and the relationship between educational attainment and labour market outcomes. The current educational system in Ethiopia has three components: 1) General education, comprising primary (grades 1 - 8, age level 7 -14) and lower secondary (grades 9-10, age level 15-16); 2) College/university preparatory (Grades 11-12 , age level 17-18) for those who pass the grade 10 national school leaving exam or 1-3 years of vocational training for those who do not score sufficient grades to start preparatory education¹⁶; and 3) University education for those who successfully pass a national university entrance examination in grade 12¹⁷.

Table 7 shows the educational attainment of urban Ethiopian youth in 1999 and 2011. The share of the youth population acquiring skills has increased substantially between 1999 and 2011. In 1999, 61 percent of Ethiopians between the ages of 15 and 29 had no more than a primary education. 18 percent had at least completed lower secondary education. In 2011, the proportion of youth with no more than a primary education fell to 51 percent and the proportion completing at least secondary education rose to 37 percent. The most impressive change in educational attainment occurred with individuals acquiring some form of higher education. In 1999, only 4 percent of youth had some form of higher education, in 2011 this share rose to 20 percent. This trend is observed for both men and women. The increases in educational attainment support the earlier claim that the decreases in labour force participation rates are due to increases in schooling.

Although not shown, there have been modest improvements in educational attainment in rural areas. Between 1999 and 2005, literacy rates went up and the share of rural youth obtaining some primary education increased. However, there were no substantial increases in educational attainment beyond primary education.

Comparing women and men, women are more likely to have no education and less likely to com-

¹⁶Youth who do not attend preparatory education or vocational training have no additional formal training other than internships in small and medium enterprises.

¹⁷The Ethiopian government introduced this education policy in 1994. The old system consisted of primary education (grade 1 - 6); junior secondary (Grades 7-8); and senior Secondary (Grades 9 - 12). Until 2002, both the old and new system were being implemented simultaneously to accommodate students who had already started in the old system. In many cases, those who finished grade 12 in the old system, and those who finished grade 10 in the new system are considered to have comparable qualifications. Individuals who reported completing grades 9-12 under the old system were coded as lower secondary.

Table 7: Educational Attainment for Urban Youth Population (1999-2011)

Educational level	1999			2011		
	MALE	FEMALE	Total	MALE	FEMALE	Total
No Schooling	8.85	22.78	16.77	6.05	15.46	11.25
Primary or less	46.25	43.19	44.51	40.01	39.44	39.70
Not Completed Lower Secondary	21.97	17.13	19.22	13.06	11.32	12.10
Completed Lower Secondary	16.09	12.83	14.24	18.18	15.77	16.85
Higher Education	5.52	3.00	4.08	22.48	17.82	19.91
Other	1.32	1.08	1.18	0.21	0.18	0.20
Total	100	100	100	100	100	100

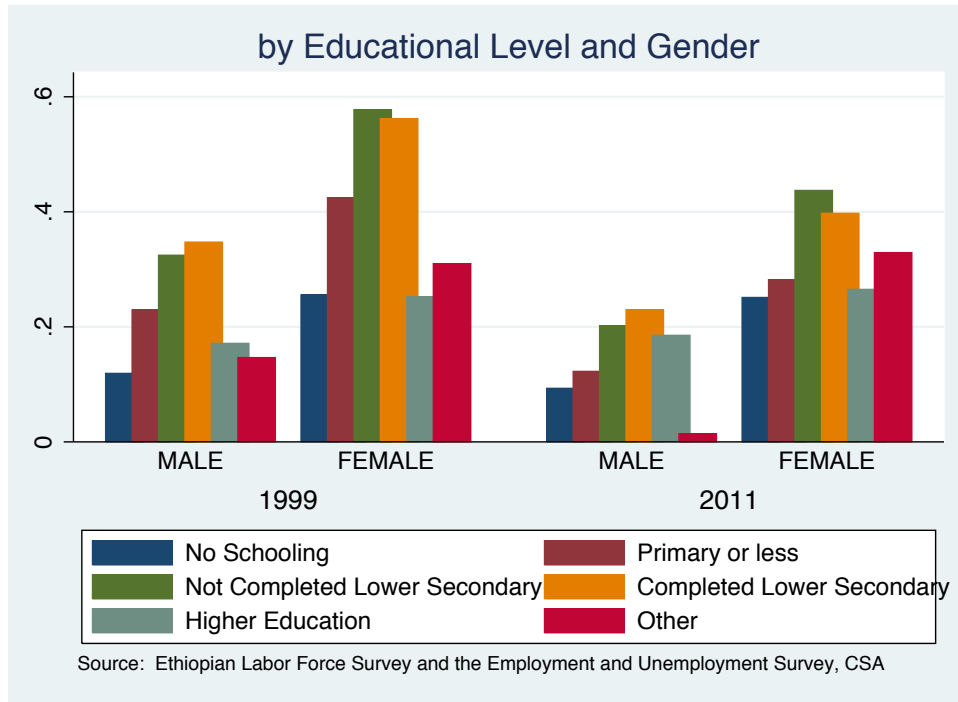
Notes: Lower education includes grades 9-12 under the old educational system (prior to 1994) or grades 9-10 under the new system (post 1994).

plete lower secondary or obtain some form of higher education. Table 7 suggests that part of the differences between male and female labour market outcomes could be driven by differences in skills. However, we do not do a formal analysis of the determinants of labour market outcomes, so we are unable to identify if the relatively poor labour market performance of women is due to discrimination, preferences, or skills.

Figure 3 depicts the relationship between educational attainment and unemployment for male and female youth in 1999 and 2011. The figure depicts the differences in unemployment rates across men and women and the downward trend in unemployment over time. Surprisingly, the figure depicts a positive relationship between educational attainment and unemployment. This positive relationship experienced in a number of developing countries has been termed the educated unemployment problem, where there exists a mismatch between the education and training skills available and the requirements of the labour market. There are a number of explanations that could explain this positive relationship, we do not explore this relationship formally in this paper, however, other papers have suggested that due to the lack of access to unemployment and social security benefits in many developing countries, better-off individuals are more likely to hold out for better jobs (O'Higgins, 2001; Manning and Junankar, 1998). The positive relationship between educational attainment and unemployment is less pronounced for women as compared to men; women with higher education have lower unemployment rates than women with some lower secondary education.

Another interesting observation from figure 3 is that youth with higher education were less likely to be unemployed in 1999 than they were in 2011. This suggests that labour demand has been unable to keep pace with the increases in educational attainment, particular with jobs which demand highly skilled labour (as measured by education).

Figure 3: Urban Youth Unemployment Rates, 1999-2011



Micro and small enterprises (MSE) have been identified by the Ethiopian government as important sources of employment and job creation. To meet the training needs for such enterprises the government has given special attention to technical and vocational education and training (TVET) (MOE, 2002). Between 1999 and 2005, there has been an increase in vocational training and individuals obtaining specialized training. In 1999, 12 percent of youth reported having received a certificate for professional training. In 2011, the share receiving professional training was 23 percent. Figure 4 and 5 depict unemployment rates by educational level and by certificate holding. For men (figure 4), there is a clear relationship between unemployment and certificate holding for both years. Within each educational group (except for youth with no schooling in 1999), individuals that received a certificate for professional training had lower unemployment rates. For women, this relationship is less pronounced.

It is slightly misleading to look at youth unemployment rates by education since many individuals with more education will have had less time to integrate themselves into the labour market (O'Higgins, 2001). Tables 8 and 9 report labour market outcomes by age and education. We split our youth sample into three sub-samples: youth between the ages of 15-19 (teenage youth),

Figure 4: Urban Male Youth Unemployment Rates, 1999-2011

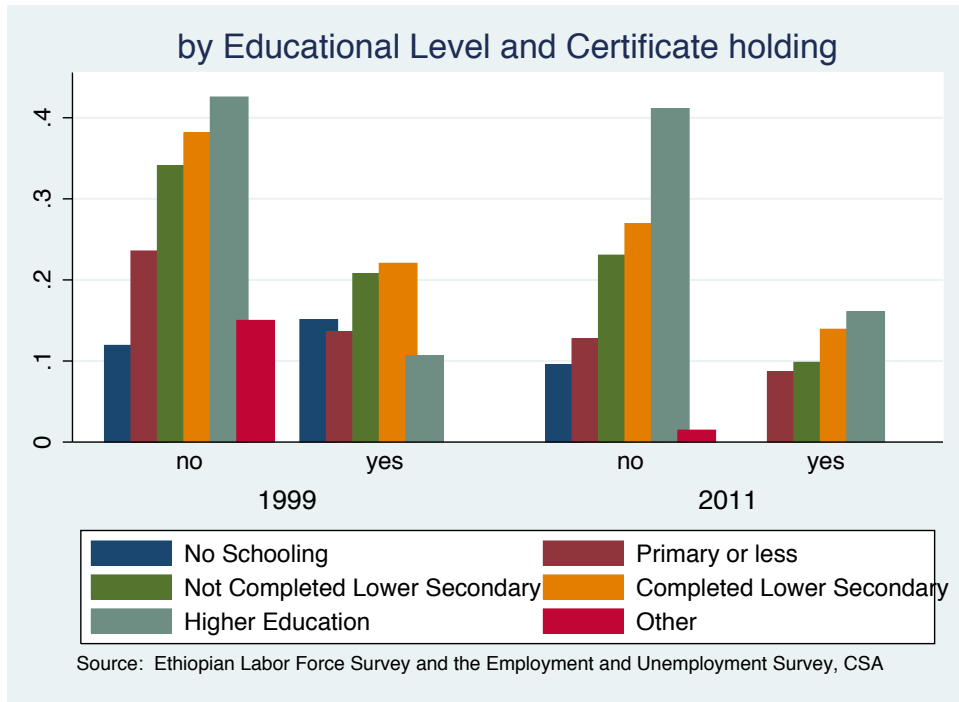
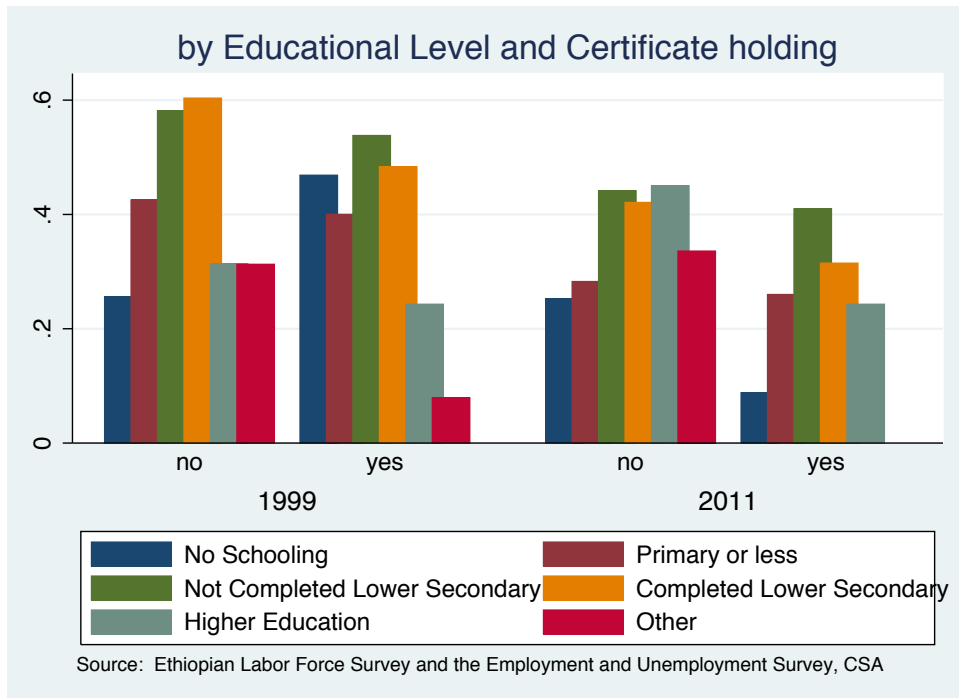


Figure 5: Urban Female Youth Unemployment Rates, 1999-2011



youth between the ages of 20-24 (young adults), and youth between the ages of 25-29. Tables 8 and 9 reports labour force participation rates, unemployment rates, unemployment durations, underemployment rates and informal sector rates for men and women, respectively.

For men and women, LFP increases as they age. LFP rates are as low as 33 percent for teenagers and rises to 93 percent for men between the ages of 25-29 and to 76 percent for women between the ages of 25-29. For men, unemployment falls as they age; in 2011, teenagers had an unemployment rate of 23 percent whereas men between the ages of 25-29 had an unemployment rate of 11 percent. For women, there does not appear to be a clear relationship between age and unemployment. The relationship between age and unemployment observed for men could be driven by the initial job search process and not necessarily the failure of the market to employ youth. Unemployment duration is a better measure of market failure for youth. Column 5 reports the average duration of unemployment. For male and female teenagers, the average length of time spent unemployed is generally shorter than older youth in the same educational position. Teenagers also have higher rates of informal sector employment and lower rates of underemployment.

Looking within each group we observe interesting relationships between labour market outcomes and education. For teenagers, LFP decreases with educational attainment implying that this group has not completed their education. The positive relationship between educational attainment and unemployment is strongest for this group (column 4). For male teenagers, unemployment duration decreases with education, although teens that did not complete lower secondary are somewhat of an outlier. The positive relationship between educational attainment and unemployment duration also exists for women between the ages of 25-29. However, for women between the ages of 20-24, the opposite relationship exists; more education is associated with less time spent in unemployment. This positive relationship between educational attainment and long-term unemployment is somewhat surprising. In developed countries, long-term unemployment is much more widespread among those with lower levels of educational attainment. There is no clear relationship between educational attainment and underemployment but there is a pronounced negative relationship between educational attainment and informal sector employment.

Table 8: Urban Male Youth labour Market Characteristics By Age Group and Education (2011)

AGE GROUP	EDUCATIONAL LEVEL	LFP	UNEMP	UNEMP DUR	UNDER EMP	INF SECT
(Age 15-19)	No Schooling	0.73	0.19	11.41	0.52	0.48
	Primary or less	0.34	0.15	9.16	0.39	0.53
	Not Completed Lower Secondary	0.22	0.28	13.89	0.40	0.43
	Completed Lower Secondary	0.38	0.38	9.73	0.62	0.24
	Higher Education	0.26	0.44	7.76	0.46	0.14
	Other	0.19	0.00		0.00	1.00
	Total		0.33	0.23	9.96	0.44
(Age 20-24)	No Schooling	0.87	0.08	14.42	0.52	0.64
	Primary or less	0.80	0.14	11.60	0.53	0.41
	Not Completed Lower Secondary	0.56	0.23	18.92	0.46	0.29
	Completed Lower Secondary	0.79	0.26	14.66	0.54	0.25
	Higher Education	0.72	0.28	14.15	0.55	0.10
	Other	0.78	0.00		1.00	1.00
	Total		0.75	0.21	14.16	0.53
(Age 25-29)	No Schooling	0.92	0.06	6.21	0.58	0.58
	Primary or less	0.94	0.09	10.47	0.51	0.39
	Not Completed Lower Secondary	0.83	0.13	10.56	0.52	0.20
	Completed Lower Secondary	0.93	0.15	13.54	0.48	0.18
	Higher Education	0.93	0.10	14.90	0.53	0.04
	Other	0.86	0.02	24.00	0.68	0.47
	Total		0.93	0.11	12.37	0.52

Notes: Lower education includes grades 9-12 under the old educational system (prior to 1994) or grades 9-10 under the new system (post 1994).

5.3 Characteristics of Unemployed Youth

This subsection provides information on the characteristics of the unemployed youth population in Ethiopia.

Table 10 provides the educational and gender composition of the urban unemployed youth population for 1999 and 2011. The unemployed are disproportionately female and their share of the unemployed has not changed over time. Women make up approximately 52 percent of the youth labour force, however, in 1999 and 2011, 67 percent of all unemployed youth were women. Women with the least amount of education fare the worst in the labour market relative to men in the same educational position.

Between 1999 and 2011, the share of the unemployed who were educated increased. In 1999, 66 percent of unemployed men and 74 percent of unemployed women had less than a lower secondary education. In 2011, 43 percent of unemployed men and 58 percent of unemployed women had less

Table 9: Urban Female Youth labour Market Characteristics By Age Group and Education (2011)

AGE GROUP	EDUCATIONAL LEVEL	LFP	UNEMP	UNEMP DUR	UNDER EMP	INF SECT
(Age 15-19)	No Schooling	0.71	0.20	7.86	0.32	0.68
	Primary or less	0.32	0.23	11.27	0.34	0.69
	Not Completed Lower Secondary	0.14	0.36	10.36	0.38	0.56
	Completed Lower Secondary	0.44	0.46	11.67	0.62	0.45
	Higher Education	0.30	0.49	10.88	0.36	0.17
	Other	0.74	0.49	6.00	0.00	1.00
	Total		0.34	0.30	10.80	0.38
(Age 20-24)	No Schooling	0.71	0.25	16.79	0.46	0.71
	Primary or less	0.66	0.33	13.13	0.50	0.57
	Not Completed Lower Secondary	0.47	0.51	12.72	0.49	0.34
	Completed Lower Secondary	0.71	0.42	14.51	0.51	0.27
	Higher Education	0.74	0.31	10.33	0.48	0.08
	Other	0.89	0.18	6.00	0.00	0.00
	Total		0.68	0.34	13.05	0.49
(Age 25-29)	No Schooling	0.74	0.27	11.91	0.51	0.75
	Primary or less	0.71	0.28	14.02	0.54	0.57
	Not Completed Lower Secondary	0.69	0.42	19.76	0.53	0.31
	Completed Lower Secondary	0.79	0.33	19.58	0.50	0.25
	Higher Education	0.88	0.16	18.85	0.43	0.04
	Other	0.69	0.30	12.00	0.60	0.73
	Total		0.76	0.27	15.98	0.50

Notes: Refer to table 8

Table 10: Educational and Gender Composition of Urban Unemployed Youth (1999-2011)

Educational level	1999			2011		
	MALE	FEMALE	SHARE FEMALE	MALE	FEMALE	SHARE FEMALE
No Schooling	5.22	15.99	0.86	4.47	16.11	0.88
Primary or less	39.92	40.23	0.68	28.17	32.32	0.70
Not Completed Lower Secondary	21.19	17.60	0.63	10.76	9.45	0.64
Completed Lower Secondary	28.31	22.95	0.63	28.04	23.13	0.62
Higher Education	4.47	2.29	0.51	28.53	18.75	0.57
Other	0.88	0.94	0.69	0.02	0.25	0.96
Total	100.00	100.00	0.67	100.00	100.00	0.67

Notes: Refer to table 8

than a lower secondary education.

Table 11 provides information on the methods used by unemployed youth to find work for men and women between 1999 and 2011. The primary sources used for seeking employment are searching vacancies, seeking assistance of friends, and checking at work places. Between 1999 and 2011, youth have increased the use of more formal methods to find jobs; by searching vacancies and through newspaper advertisements. They have decreased the use of checking at work places but still rely on

Table 11: Search Methods Distribution for Unemployed Urban Youth 1999-2011

Search Method	Male		Female	
	1999	2011	1999	2011
Produced Unemployment Card	6.83	1.44	8.27	2.00
Direct Application	6.52	0.00	7.09	0.00
Searching Vacancies	27.52	44.39	32.13	48.85
Through News Paper	2.60	7.69	3.27	5.59
Seeking assistance of friends	18.05	23.90	18.84	24.20
Checking at Work Place	28.18	16.49	15.89	12.56
Trying to Establish own Enterprise	8.82	4.43	12.43	3.29
Others	1.47	1.65	2.07	3.50
Total	100.00	100.00	100.00	100.00

Notes: Sample consists only of unemployed youth who report having searched for employment.

assistance from friends or family members to identify employment opportunities. One of the most interesting observations from table 11 is the decrease in the number of unemployed youth that tried to start their own business as a means to obtain employment.

5.4 Characteristics of Employed Youth

In order to better understand youth unemployment, we need to understand what employment opportunities are available for youth. This subsection looks at the characteristics of the urban employed youth.

Tables 12 and 13 report the employment status of employed youth by educational status for men (table 12) and for women (table 13) in 2011. For male youth, 32 percent were self-employed, followed by 34 percent employed at a private firm, and 18 percent employed by the government. For female youth, 28 percent were self employed, 38 percent were employed at a private firm and 16 percent were employed by the government.

When we look across educational groups, individuals with higher education are more likely to work for the government. Approximately 50 percent of individuals with higher education are employed by the government. Non-Government Organizations (NGOs) also play an important role in providing employment for individuals with higher levels of education. Slightly over 1 percent of all employed men and women are employed by NGOs. However, 3 percent of men with higher education and over 4 percent of women with higher education are employed in NGOs. Individuals with less education

Table 12: Employment Status Distribution for Employed Urban Male Youth By Education (2011)

Employment Status	No Schooling	Primary or less	N. C. Lower Secondary	Completed Lower Secondary	Higher Education	Other	Total
Employee-Govt	2.18	2.84	8.05	13.78	54.38	0.00	17.94
Employee-NGO	0.08	0.73	0.35	0.74	3.11	2.06	1.23
Employee-Parast.	0.40	1.35	1.94	2.46	2.70	0.00	1.85
Employee-Private	36.70	37.97	35.41	36.31	22.56	25.71	33.51
Employer	0.52	0.78	1.33	0.86	0.26	0.00	0.69
Self-Employed	47.82	40.68	33.58	33.50	11.32	56.48	32.18
Unpaid family	10.70	12.27	14.74	7.29	3.64	5.09	9.27
Apprentice	0.00	0.29	0.61	0.65	0.33	0.00	0.36
Cooperative	0.88	1.12	1.06	1.78	0.90	0.00	1.16
Other	0.72	1.96	2.92	2.63	0.80	10.66	1.80
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Notes: Government employees consists of civil servants and those employed by public sector enterprises or local government. Private sector employees includes employees of private enterprises, cooperatives, casual workers and domestic workers.

Table 13: Employment Status Distribution for Employed Urban Female Youth By Education (2011)

Employment Status	No Schooling	Primary or less	N. C. Lower Secondary	Completed Lower Secondary	Higher Education	Other	Total
Employee-Govt	1.25	2.53	5.36	15.85	52.49	0.00	15.73
Employee-NGO	0.29	0.35	1.70	1.64	4.80	0.00	1.61
Employee-Parast.	0.78	0.71	1.06	2.66	1.66	0.00	1.25
Employee-Private	43.69	42.85	41.35	38.63	26.04	35.26	38.49
Employer	0.10	0.08	0.00	0.26	0.53	0.00	0.21
Self-Employed	38.88	33.72	33.54	27.87	8.36	36.28	28.17
Unpaid family	12.86	17.08	12.42	11.15	4.50	28.45	12.23
Apprentice	0.00	0.01	0.00	0.07	0.69	0.00	0.17
Cooperative	0.11	0.59	1.78	0.88	0.41	0.00	0.56
Other	2.04	2.06	2.79	0.99	0.53	0.00	1.58
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Notes: Refer to table 12

are more likely to be self-employed or provide unpaid family labour¹⁸.

Tables 14 and 15 reports the industry and occupational distribution of employed youth. Male youth are primarily employed in manufacturing, construction, and wholesale and retail trade. Female youth are primarily employed in wholesale and retail trade, hotels and restaurants, and private household services. Construction and education are two industries that have expanded in terms of providing more employment opportunities for youth.

Between 1999 and 2011, there has been an increase of employment in jobs that require some skill.

¹⁸Haile (forthcoming) suggest that self-employment in Ethiopia is largely a route out of unemployment.

Table 14: Industry Distribution for Employed Urban Youth 1999-2011

Industry	Male		Female	
	1999	2011	1999	2011
Agriculture, fishing, and forestry	12.90	7.66	5.78	5.62
Manufacturing	13.90	13.22	11.78	11.12
Construction	6.78	12.41	1.73	3.76
Wholesale and retail trade	27.80	19.85	23.66	20.00
Hotels and restaurants	4.44	4.61	23.60	13.78
Transportation and communications	8.57	8.86	0.57	0.64
Public administration and defense	5.87	5.78	4.34	4.26
Real estate and business services	1.50	2.48	0.53	1.98
Education	2.79	6.40	2.63	7.21
Health and social work	1.82	2.49	1.92	4.10
Other services	9.09	11.64	3.65	9.17
Private household services	2.49	1.02	18.37	14.57

Table 15: Occupational Distribution for Employed Urban Youth 1999-2011

Occupation	Male		Female	
	1999	2011	1999	2011
Legislators, senior officials and managers	1.33	2.47	0.56	0.96
Professionals	1.46	7.05	0.50	5.22
Technicians and associate professionals	6.92	7.03	3.97	5.99
Clerks	3.75	4.08	5.78	8.89
Service workers and shop and market sales	26.59	20.93	28.01	31.23
Skilled agricultural and fishery workers	6.71	6.15	1.69	4.15
Crafts and related trades workers	20.16	21.83	27.20	12.70
Plant and machine operators and assemblers	5.41	8.69	0.73	0.99
Elementary occupations	27.37	21.68	31.56	29.86
Armed forces	0.29	0.08	0.00	0.01
Total	100.00	100.00	100.00	100.00

A higher proportion of youth were employed as professionals and clerks in 2011 compared to 1999 (table 15). However, the majority of youth are employed as service workers and craft workers and between 20 and 30 percent of youth are employed in elementary occupations. Elementary occupations consist of simple and routine tasks and often require no more than a primary education. These occupations account for the large number of informal sector jobs.

Informal sector employment and underemployment are economic situations common to youth in developing countries. In 2011, 38 percent of youth were employed in the informal sector (table 3). The informal sector often provides low quality, low paying jobs. As described earlier, informal sector rates were highest among teenagers (table 8 and 9). The higher proportion of teenagers in informal sector employment suggests that first time job seekers are finding employment in the informal economy before eventually finding employment in the formal economy. Women and less

Table 16: Job Underemployed Male Youth Would Prefer Additional Hours (2011)

Additional	No	Primary	N. C.	Completed	Higher	Other	Total
Hours At:	Schooling	or less	Lower Secondary	Lower Secondary	Education		
Present Main Job	33.21	28.35	25.76	29.21	41.55	30.71	32.18
Other Jobs plus main job	40.88	41.50	43.44	43.36	43.49	49.58	42.49
Other Job	25.91	30.15	30.80	27.44	14.95	19.71	25.32
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Table 17: Job Underemployed Female Youth Would Prefer Additional Hours (2011)

Additional	No	Primary	N. C.	Completed	Higher	Other	Total
Hours At:	Schooling	or less	Lower Secondary	Lower Secondary	Education		
Present Main Job	27.08	21.10	30.03	25.52	34.24	14.14	26.38
Other Jobs plus main job	39.39	44.80	46.71	45.91	44.83	73.97	44.06
Other Job	33.53	34.11	23.26	28.57	20.93	11.90	29.55
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00

educated individuals are disproportionately more likely to be employed in the informal sector.

Underemployment provides a measure of insufficient job opportunities. Approximately 50 percent of youth reported being available and willing to work more hours. Table 16 and table 17 report the type of job underemployed youth would prefer additional hours: current job, additional job along with current job, or new job with more hours to leave current job. Tables 16 and 17 is partitioned by educational attainment. Rows 1 and 2 provide one measure of job satisfaction; these are individuals who want to continue working at their current job but would prefer to pick up additional hours, either at the current job or at an additional job. Row 3 provides a measure of job dissatisfaction; these are individuals who would leave their current job if they could find another job that would provide more hours. Youth with the highest level of education, are more likely to be satisfied with their job. For both men and women, 15 percent of highly educated men and 21 percent of highly educated women would want to find a new job with more hours. For all other educational groups, the proportions are over 25 percent (except for women who did not complete lower secondary, there proportions are over 23 percent).

6 Government Interventions

The above sections provided a thorough overview of the labour market situation for Ethiopian youth. We showed that while unemployment remains widespread, it declined markedly since 1999 for the economy as a whole and for youth. While conditions have improved significantly since 1999, the above sections also highlighted a number of areas where improvements are still needed; namely, creating employment opportunities for women (preferably in the formal sector) and for educated and skilled youth, and remedying pervasive underemployment. It is possible that periods of unemployment early in a person's "working" life could impair an individual's productive potential and, therefore, long-term employment prospects (Fagin and Little, 1984; Smith, 1987). The belief that current unemployment has a lasting effect on the probability of future unemployment, should motivate economic policies that address unemployment. In this section we discuss current policies and interventions that address youth employment. In particular, we focus on policies that address the labour market outcomes for women and skilled workers. We do not offer evaluations of the policies or interventions discussed, but instead only discuss the policies and interventions which directly or indirectly impact youth, women, and skilled labour.

6.1 Employment Creation Initiatives

6.1.1 Technical and Vocational Education and Training (TVET) and Micro and Small Enterprises (MSEs)

An important feature of the new education and training policy of Ethiopia introduced in 1994 was the paramount attention given to TVET training. Prior to 1994, education was generally perceived among the public as a means for public sector employment¹⁹. The new education policy on the other hand, in addition to general education and higher education, identifies technical and vocational training in the various sectors of the economy as important avenues for enhancing productivity, particularly in MSEs, as well as employment generation. Vocational training plays a significant role in innovation (Gebreyesus, 2007). The important feature of TVET in the new education system is its integration with MSEs. Not only is the TVET designed to match the demands of MSEs but also trainees are highly encouraged to start their own MSEs. Cooperative

¹⁹The previous government had established job guarantees for all university graduates. In 1983 the public sector employed 73 percent of those in wage employment (Krishnan, Selassie and Dercon, 1998).

offices have expanded to provide credit from microfinance institutions and working space.

The number of TVET institutions providing formal non-agriculture training increased from 17 in 1996/7 to 199 in 2004/5, and enrollment increased from 3,000 to 106,305 (MOE, 2008). However, studies by the Ministry of Education (MoE) indicated that despite the quantitative success in terms of high enrollment, many graduates remained unemployed. The 2008 National TVET strategy emphasizes quality and relevance of TVET and not just the number of graduates. The quality and relevance aspects of the program are presumed to alleviate unemployment and productivity problems (MOE, 2008).

Micro and Small Enterprises (MSEs) are largely informal in nature and mainly employ the low skilled segments of society. In Ethiopia, MSEs comprise 99% of all enterprises, over 60% of private employment, and about 30% of exports (Demeke, Guta and Ferede, 2006). Because of the important role MSEs play in the economy, the Ethiopian government has identified MSEs as key sectors of the economy in its pro-poor economic growth strategy.

6.1.2 Food Security Programs - PSNP

The Productive Safety Net Program (PSNP), started in 2005, is part of the Food Security Program (FSP) of Ethiopia. The PSNP targets the most food insecure and vulnerable areas. Labour deficient households (the elderly and the disabled) receive unconditional transfers while households with labour take part in public works employment that benefit the community such as irrigation schemes and repairing schools and health centers, hence contributing to asset creation at the community level.

PSNP exists mainly to address the food insecurity of households in rural Ethiopia and does not directly address employment concerns. However, the PSNP employs a significant number of workers in the areas where it operates. It is estimated that more than 1.2 million workers participate in the PSNP annually, making the PSNP the largest single employer in Ethiopia (Lieuw-Kie-Song, 2011).

6.2 Specific Projects (Case Studies)

6.2.1 Integrated Housing Development Program

Two of the most pressing problems facing urban Ethiopian households are the lack of housing and unemployment. The Integrated Housing Development Program (IHDP) aims to alleviate the housing problem by deploying and supporting MSEs to construct low cost houses. The program ultimately targets the unemployed poor, in that the MSE construction enterprises tend to be labour intensive and employ low skilled workers.

The participating MSEs are usually established by youth who either graduated from a TVET or have had some experience in the construction sector. The regional housing development offices accord various forms of assistance to the firms participating in the program. They provide or subsidize a place to work, they provide training, and subsidize machinery. The program commissioned in 2004 set up an ambitious goal of constructing 400,000 low cost condominium houses, create job opportunities for 200,000 people, and promote more than 10,000 MSEs all over the country between 2005 and 2010. By 2010, the program had constructed 171,000 houses, created 176,000 new jobs, boosted the technical capacity of the construction sector, and enhanced the number and capacity of MSEs (Un-Habitat, 2011).

6.2.2 The Cobblestone Project - Ethiopia

The cobblestone project in Ethiopia was initiated by the Engineering Capacity Building Program (ECBP), a government program supported by the German Development Cooperative (GTZ). Since 2007, the ECBP has been training men and women (mostly youth) in traditional crafting of cobblestone paving with the dual objective of creating jobs for youth and creating clean, attractive pavement in Ethiopian towns. It is based on the principle of local resource utilization in a labour intensive manner to pave road and public spaces using environmentally friendly techniques. The jobs created include quarrying, chiseling, transporting, laying of the cobblestones, and the production of tools. The construction of pavements in towns and cities enhances factor mobility (movement of people and the creation of new MSEs), and boosts housing investment. The project has created more than 2,000 MSEs and employed more than 90,000 workers (primarily youth) in 140 Towns.

7 Conclusion

This report provided a comprehensive description of the main characteristics of the youth labour market in Ethiopia. The Ethiopian economy has witnessed tremendous improvement in the labour market, however, unemployment remains widespread in urban areas. The data suggests that policies need to address the poor labour market conditions for women in both the rural and urban areas as well as implement strategies which benefit the rising number of educated youth entering the labour market. We concluded the report with examples of employment policies and programs which target youth and appear to have potential.

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