



TRANSFORMATIONAL CHANGE

# INFORMATION FRICTIONS IN ETHIOPIA'S LABOUR MARKET



DIRECTED BY



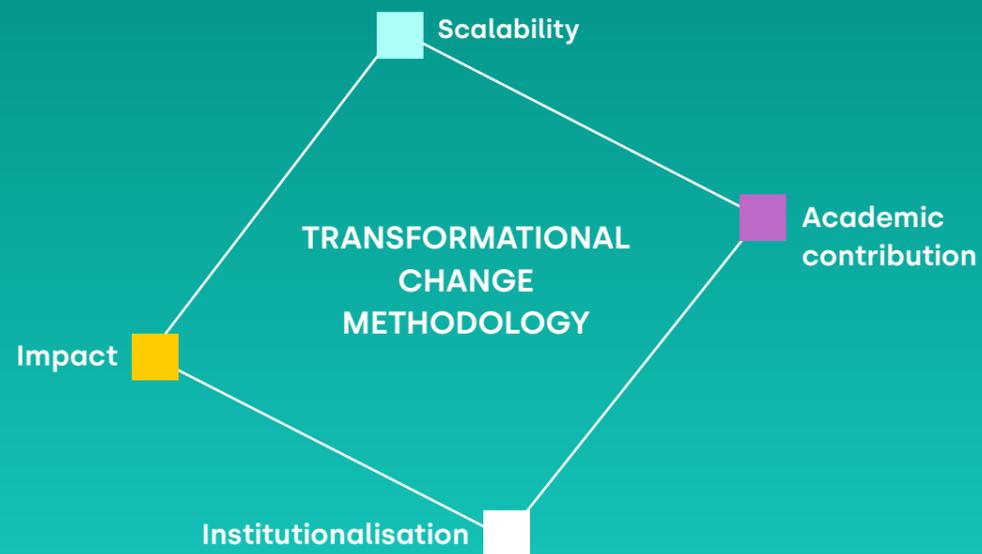
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## 1. Understanding Transformational Change

The IGC works with policymakers in low- and middle-income countries to promote inclusive and sustainable growth through pathbreaking research. Our research and policy engagement are supported by an international network of researchers and resident country offices across Africa, South Asia, and the Middle East. The collaborative approach made possible by this model – with embedded country teams that bring senior policymakers together with leading researchers – has created an effective mechanism for collaborative idea generation.

To understand, enhance, and communicate IGC’s impact, we created a ‘*Transformational Change*’ methodology in 2024. The methodology aims to identify the conditions in which research can achieve significant and positive policy and academic impact by focusing on four key dimensions: innovative contribution, institutionalisation, scalability, and impact. The focus of our approach is on contribution to change, rather than attribution; analysing cases where IGC’s contribution was pivotal for change to happen, but recognising it was not the sole player. Our Monitoring, Evaluation, and Learning (MEL) Team is now applying this methodology to a series of case studies. The knowledge from these studies will deepen our understanding of the IGC’s pivotal contributions and help us to draw actionable insights that inform future strategies and reinforce the IGC’s role in driving evidence-informed policy research.



A man reads the newspaper in Ethiopia

Between February and April 2025, we applied our Transformational Change methodology to analyse the Labour Market Information Frictions research cluster in Ethiopia. This cluster comprises five IGC-supported projects that have contributed to the country’s evolving labour market policies by addressing both information frictions on labour market and structural barriers to employment. Information frictions refer to gaps or asymmetries in access to job-related information, such as where vacancies are posted, how to signal qualifications, or how to navigate application processes.

Our Transformational Change analysis drew on internal documents, official reports, academic publications, and insights from twelve key informant interviews.<sup>1</sup>

<sup>1</sup> Interviews were conducted with twelve key informants closely involved in Ethiopia’s labour market research and policy landscape. This included senior government officials such as **H.E. Nigussu Tilahun** (State Minister, Ministry of Labour and Skills), **Bezawork Betemariam** (Director of Overseas Migration, Ministry of Labour and Skills), and **Ermias Teklu** (Project Manager, Labour Market Information System); representatives from research and academic institutions including **Girum Abebe** (Senior Economist, World Bank; Principal Investigator of “Assisting Job Search in Low Employment Communities”), **Christian Meyer** and **Tsegey Tekleselassie** (IGC Principal Investigators), and **Tigabu Degu** (Research Partner, Policy Studies Institute); private sector actor **Kaleab Mezgebu** (HahuJobs); **Blene Betemariam** (JCC Advisor); and IGC staff including **Shahid Vaziralli** (Head of Research Programme Team), **Kathie Krumm** (Country Director), and **Tewodros Makonnen Gebrewolde** (Country Economist).

## 2. The labour market landscape in Ethiopia

In Ethiopia, youth unemployment has remained a persistent policy challenge, particularly among urban populations. Between 2005 and 2016, national unemployment rates fluctuated between 16% and 21%, with urban unemployment consistently higher – often exceeding 25% among young people aged 15-29 (CSA, 2016; ILO, 2018). This was especially pressing given that nearly 70% of Ethiopia's population at the time was under the age of 30, positioning youth as both a potential engine for economic growth and a vulnerable cohort facing systemic exclusion from productive employment (UNFPA, 2018). These figures were symptomatic of deeper structural constraints in the labour market, including a disconnect between the supply of skills and the demand from employers, coupled with institutional fragmentation that limited coordinated policy responses (ILO, 2018). Most employment remained informal and low in productivity, with limited access to career advancement, particularly for women and young people (World Bank, 2019).

Since 2014, a series of IGC-supported research projects have aimed to respond to these pressing policy issues and contribute to Ethiopia's evolving labour market policies. In this analysis, we look at the five IGC studies that tackle information frictions in Ethiopia through an investment of over GBP 200,000.<sup>2</sup> This research cluster produced rigorous evidence on the barriers to youth employment and played a direct role in contributing to the design of government programmes, institutional reforms, and technological innovations – both nationally and in collaboration with international partners such as the World Bank.

The contribution of this research extended beyond technical inputs, signalling a shift toward a more integrated, strategic, and data-informed approach to labour market governance. While it is important to acknowledge that progress in this domain has been the product of sustained engagement by a wide range of actors – particularly government officials, and including academic institutions, private sector leaders, and international partners – this case study focuses specifically on the distinctive contribution the IGC made to that transformation.

<sup>2</sup> This figure does not include the cost of dedicated IGC staff time spent annually on policy engagement and research commissioning processes.



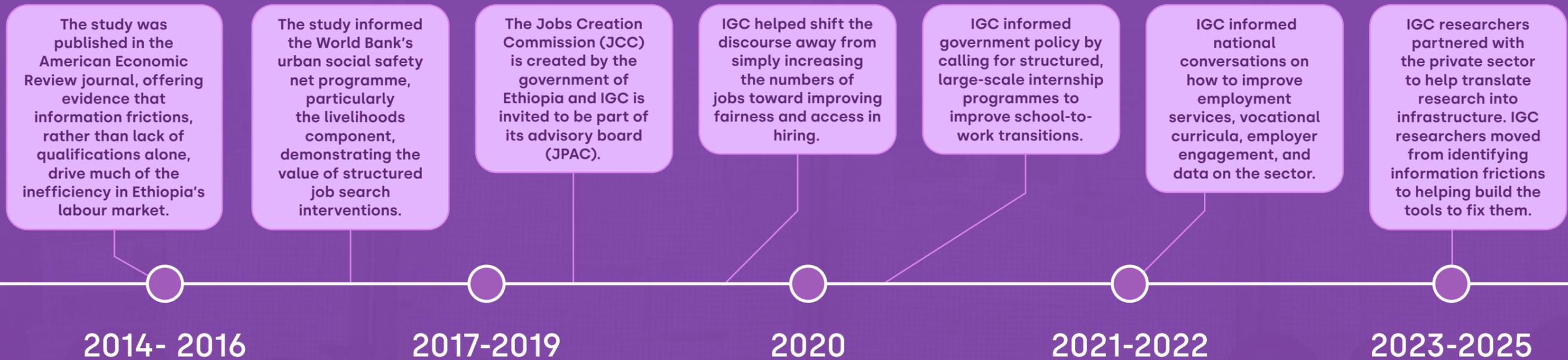
### The IGC's contribution to change

- Reframing the problem and producing pathbreaking research demonstrating that poor signalling, network exclusion, and weak job intermediation – not just skills deficits – are key drivers of youth unemployment.
- Informing the design of major national programmes (e.g., the Urban Productive Safety Net Project and national internship strategy) and helping catalyse structural reforms by positioning labour market intermediation and employability at the core of Ethiopia's jobs strategy.
- Enabling innovation through embedded partnerships – most notably through the Jobs Policy Advisory Council – and co-generating research with government and private sector actors, like HahuJobs, for impactful solutions. This led to scalable innovations in labour market data systems, digital job platforms, and skills classification standards, demonstrating research-to-systems transformation.

# Transformational Change timeline

## Information frictions in Ethiopia's labour market

### Main achievements



#### Project 1

**Assisting Job Search in Low Employment Communities** provides experimental evidence on two key matching frictions: job search costs and the inability to signal skills. It showed that making skills observable generates earnings gains that are far greater than the cost of the intervention.

#### Project 2

**Job Referrals and Strategic Network Formations** showed that individuals with strong social networks were more likely to secure jobs, while those with weaker networks faced exclusion, reinforcing inequality in job access. This was the first study co-generated with JCC to inform national employment policies. It helped shift the discourse away from simply increasing job numbers toward improving fairness and access in hiring.

#### Project 3

**Jobs in Ethiopia: Large Scale Internship and Apprenticeship Programmes** analyses global internship and apprenticeship programmes to identify success factors and challenges relevant to Ethiopia. It was the second project developed following a direct request from JCC to design a structured internship programme.

#### Project 4

**Assessing Skill Gaps in Ethiopian Urban Labour Market** investigates the extent and nature of skills mismatch in the urban labour market of Addis Ababa, Ethiopia. It provided recommendations to enhance job matching and improve labour market efficiency.

#### Project 5

**Getting Online for Jobs Reducing Information Frictions** tested a low-cost innovation: scraping job adverts from local sources and compiling them into a publicly available database, then printing weekly booklets of vacancies and distributing them at public job centres. This study is still ongoing.

### Research and policy engagement

This timeline illustrates the evolution of the Transformational Change story over time, highlighting key achievements related to IGC-funded research and policy engagement. It acknowledges the accumulation of research findings, policy efforts, and contributions from multiple actors, emphasising contribution rather than direct attribution to the observed outcomes.

### 3. The path to Transformational Change

The path to Transformational Change involved three key elements: generating pathbreaking research on information frictions in the labour market, consolidating evidence to support institutional reform, and expanding collaboration with the private sector.

#### a. Generating pathbreaking research on information frictions in Ethiopia's labour market

The foundational study in this cluster (2014-2017), by researchers Girum Abebe, Antonio Stefano, Marcel Fafchamps, and Paolo Falco, was motivated both by IGC's strategic intent to generate policy interest in labour market challenges and by the researchers' drive to explore this underexamined area. As Tewodros Gebrewolde Makonnen, Country Economist, notes, **"IGC had already begun to build credibility in this space by introducing some of the country's first rigorous, experimental labour market studies – preceding Girum Abebe's work and helping to position the labour market as a key area for reform"** (T. Makonnen, personal communication, 10 March 2025).

An example of this first foundational work is the IGC-funded project "The impacts of industrial and entrepreneurial work on income and health: Experimental evidence from Ethiopia" by Stefan Dercon and Chris Blattman. The study showed that industrial jobs in Ethiopia – often seen by policymakers as a solution to urban unemployment and underemployment – are not necessarily desirable or transformative for young workers, many of whom exit them quickly in favour of informal or self-employment alternatives.

Girum's work built on this early foundation, advancing the agenda IGC had initiated and offering new empirical insights into signalling frictions and job matching failures. The identified challenge at the time was the deep mismatch between the supply of graduates from universities and technical and vocational training institutions (TVETs), and the actual demands of the labour market. Various ministries were responsible for different aspects of job creation: education under the Ministry of Science and Technology and later the Ministry of Education; overseas employment under the Ministry of Women and Social Affairs; urban employment through Urban Job Creation and Food Security Agency; agricultural job creation under the Ministry of Agriculture; and the Ministry of Labour and Social Affairs (MoLSA) held primary responsibility for labour regulation, social protection, and employment policy – resulting in a fragmented and uncoordinated landscape.

According to H.E. Nigussu Tihalun, former State Minister at the Ministry of Labour and Skills (MoLS), while ministries reported high numbers of graduates, implementing agencies noted these graduates lacked the relevant skills – both soft and technical – needed by employers. This systemic disconnect became a top policy concern in Ethiopia (N. Tilahun, personal communication, 12 March 2025).



People standing in a queue in Ethiopia

Girum's study began with a simple yet underexplored question: "how do people look for jobs in Addis Ababa?" He explains,

**"Most of the advertisements or the announcements about jobs tend to concentrate at city centre, but most of the people live in the outskirts... There is [also] a spatial disconnect between where the jobs are and where the job seekers live"** (G. Abebe, personal communication, 7 March 2025).

This insight prompted an experimental pilot offering transport subsidies and employability training to assess whether lowering access barriers could help disadvantaged youth reach job opportunities and demonstrate their capabilities.

Information was another critical barrier: educational credentials had lost signalling power. As Abebe puts it, **"Some 15-20 years ago, if you came out of a university with a good grade, then that is a powerful signal ... But universities have expanded, and some have become too charitable in giving GPAs [...] that kind of mixed the signal."** He also emphasised the lack of a clear route from university to formal jobs. The study employed randomised controlled trials (RCTs) to address both problems by testing an intervention that not only reduced transport cost but also taught employability skills – CV preparation, interview techniques, and time management. **"We collaborated with School of Commerce [...] and set up a transport subsidy centre"** he notes, to bring jobseekers into the city and test new approaches (G. Abebe, personal communication, 7 March 2025).

Abebe and colleagues described the research as emerging, requiring early and persistent outreach to government institutions to secure buy-in. In this context, IGC's in-country presence – particularly through Tewodros

Makonnen – was critical in opening doors and legitimising the engagement. As Abebe noted,

*“IGC and Tewodros Makonnen were instrumental [...] especially in helping us build that research–policy bridge from the very beginning” (G. Abebe, personal communication, 7 March 2025).*

Beyond facilitating policy relationships, IGC’s institutional credibility helped secure support from the MoLSA and the Addis Ababa Bureau of Labour and Social Affairs, providing the research team with official backing before data collection began.

The study’s findings, published in the *Review of Economic Studies*, revealed that while both transport subsidies and application workshops yielded short-term gains in employment, only the workshops led to sustained improvements in job quality and earnings over a four-year period. These effects were particularly pronounced among disadvantaged youth with limited social capital, highlighting the structural barriers faced by those outside dominant hiring networks. Crucially, the study demonstrated that enhancing job seekers’ ability to signal their skills – through improved CVs and interview techniques – shifted employer behaviour in favour of more capable candidates (Caria et al., 2021).

These findings offered compelling evidence that information frictions, rather than lack of qualifications alone, were driving much of the inefficiency in

Ethiopia’s labour market. The study showed that even relatively simple interventions, such as job application workshops, significantly improved employment outcomes by enhancing how candidates presented their skills to employers. This shifted attention away from broad supply expansion (e.g., increasing graduates) towards improving how supply is matched to demand – specifically, through signalling, employability, and the quality of labour market intermediation. This reframing helped position “skills and employability” services at the centre of Ethiopia’s policy dialogue on employment (Abebe et al., 2021; G. Abebe, personal communication, 7 March 2025).

In fact, the findings aligned closely with concerns already within MoLSA, helping to inform the design of public job centres and employment services as well as the livelihoods component of the World Bank’s Urban Productive Safety Net Project in Ethiopia (T. Makonnen, personal communication,

March 2025). The project was implemented in 2019 and has linked over 60,000 youth, the majority of whom have dropped out of school, to wage-paying jobs within private firms up until today (World Bank, 2025).

## b. Consolidating evidence to support institutional reform

Between 2018 and 2021, Ethiopia experienced a pivotal shift in how employment and labour policy were understood and addressed. A change in government brought with it a growing commitment to tackle youth unemployment more systematically. This commitment materialised in the creation of the Jobs Creation Commission (JCC) in 2018, an institution charged with coordinating job creation efforts and designing strategic interventions to facilitate “the creation of 3 million jobs by 2020, 14 million by 2025 and 20 million by 2030” (Mastercard Foundation, 2020). The JCC engaged various stakeholders, including federal and regional government bodies, development partners, and the private sector. Dr Ephrem Tekle, the founding Director General of the JCC, invited Tewodros Makonnen to be an advisor embedded within the Jobs Policy Advisory Council (JPAC) – a body established alongside the JCC to provide strategic guidance from independent advisors and academics. Through this role, IGC contributed directly to the design and shaping of Ethiopia’s employment policies (K. Krumm, personal communication, 3 April 2025).

As institutional appetite for evidence deepened, IGC responded by launching three new studies guided by recommendations from the JPAC and its list of sixteen priority themes. Each study explored a distinct dimension of labour market inefficiency, generating timely insights that directly informed the design and implementation of national employment programmes (T. Makonnen, personal communication, 10 March 2025).

The first of these was ‘Job Referrals and Strategic Network Formation’, led by researchers Simon Quinn and Marc Witte, launched in 2018. The idea for the study emerged from conversations with the Ministry of Finance and Economic Cooperation, where officials had voiced concerns about persistent inequalities in job access – particularly among youth with limited social connections (T. Makonnen, personal communication, 10 March 2025). In collaboration with the nascent JCC, the research team designed a field experiment in 16 neighbourhoods across Addis Ababa (Quinn, 2018).<sup>3</sup>

The study found that job referrals were rarely meritocratic. Instead, they were based on reciprocal loyalty – individuals referred peers who would likely return the favour, not necessarily those best qualified. This behaviour entrenched inequalities, sidelining capable candidates who lacked strong social ties. These findings were presented to key policy stakeholders in 2018, including State Minister of Finance H.E. Eyob Tekalegn, and fed directly into early JCC thinking (IGC, 2019). They strengthened the case for public, merit-based job-matching services and helped shift the discourse

<sup>3</sup> Participants were hired for temporary clerical jobs and asked to refer peers for subsequent hiring rounds. The referral conditions were carefully varied to explore the influence of anonymity, incentives, and visibility of network positions on referral patterns (Quinn, 2018).



A jobseeker takes notes on a printed job vacancy announcement

away from simply increasing job numbers toward improving fairness and access in hiring.

The subsequent project, 'Jobs in Ethiopia: Large-Scale Internship and Apprenticeship Programmes', was commissioned in 2020 at the direct request of the JCC. At the time, the government was exploring how to design a national internship programme to support young people in their transition from school to work (T. Makonnen, personal communication, 10 March 2025). Led by Tsegay Tekleselassie, the research team set out to provide global benchmarks and contextual recommendations. They conducted a rapid evidence review of international best practices, supplemented by in-depth interviews with Ethiopian firms, training institutions, and policy stakeholders (T. Tekleselassie, personal communication, 10 March 2025).

The findings revealed that while internship schemes existed in Ethiopia, they were fragmented, lacked legal coherence, and had weak engagement from employers. The study recommended targeted incentives to increase firms' participation, a clearer legal framework to define roles and responsibilities, and better alignment between training institutions and employer needs.

**"There was a strong demand from JCC for benchmarking and best practice to inform their large-scale programme,"** noted Tewodros Makonnen. These recommendations were actively taken up by the JCC and later by the MoLSA and directly informed the draft national internship strategy (T. Makonnen, personal communication, 10 March 2025).

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The research also set a precedent for how evidence could be used – timely, policy-relevant, and co-generated by both researchers and government. According to H.E. Nigussu Tilahun, former State Minister at the MoLSA,

*"the research and advice that we got from IGC, from the Advisory Council (JPAC), helped us to manage and change the way we were going to conduct the apprenticeship programme" (N. Tilahun, personal communication, 12 March 2025).*

Despite these institutional advances, a third problem persisted in the background: even when opportunities existed and institutions were engaged, job seekers and employers often misunderstood each other. To understand this misalignment, IGC launched a study that explored the systemic failures in how skills are signalled and understood. The emerging study, 'Assessing Skill Gaps in Ethiopian Urban Labour Market', was launched in 2021 led by Marc Witte and Tsegay Tekleselassie, in partnership with MoLS. This diagnostic study aimed to better understand the scale and nature of mismatch between job seekers' qualifications and employers' demands and why so many job seekers struggled to find the right match (Hensel et al., 2023).<sup>4</sup>

The results showed that over 70% of job seekers were applying for roles they were overqualified for, and firms consistently prioritised experience

<sup>4</sup> Using data from over 20,000 job applications submitted through the online platform Dereja.com, combined with surveys of firms and job seekers, the research offered an empirical window into how young people navigated the job market (Hensel et al., 2023).



A woman reads the newspaper in Ethiopia

and soft skills – like integrity and teamwork – over academic credentials (Hensel et al., 2023). **"Employers wanted reliability and interpersonal qualities, but job seekers focused on qualifications and intelligence,"** recalled Tsegay Tekleselassie (personal communication, 5 March 2025). This disconnect was particularly costly in a country where education policies (like the "70/30 rule") had long distorted the supply of graduates, contributing to a surplus in some disciplines and unmet demand in others.<sup>5</sup> As Ermias Teklu, the government's Labour Management Information System (LMIS), noted:

*"The Ministry of Education based its policies on distorted data from universities. This led to major misalignments – like too many engineering graduates who are now running shops" (E. Teklu, personal communication, 19 March 2025).*

Moreover, job postings were often vague, making it harder for candidates to tailor their applications. The study reframed the debate: the core issue was not just a skills gap, but a coordination failure between supply and demand (Hensel et al., 2023). These findings were shared with senior officials, including former State Minister Nigussu Tilahun, and informed national conversations on how to improve employment services, vocational curricula, employer engagement, and data on the sector. **"We needed a systemised, technology-based approach, not traditional methods,"** emphasised Teklu (personal communication, 19 March 2025), referencing the development of LMIS in July 2021 which represented a significant advancement in the country's efforts to modernise its employment

<sup>5</sup> The 70/30 rule is a college acceptance quota that forces higher education institutions in the country to enrol 70% of their students under natural science field of study, leaving the remaining 30% for social science study.

infrastructure. Today, by centralising and analysing labour market data, LMIS facilitates more effective matching between job seekers and employers, informs policy decisions, and contributes to the overall efficiency and inclusivity of Ethiopia's labour market, serving over 2.4 million users of which 65% are women (E. Teklu, personal communication, 19 March 2025).

Overall, IGC's research up to this point played a pivotal role in both validating and constructively challenging the government's understanding of labour market issues. It informed thinking on how to address these challenges, including what types of institutions – such as the MoLS – were needed, and which systems – such as the LMIS – could support more effective policymaking. IGC's work notably coincided with and helped shape these major institutional developments. Council meetings – coordinated by the JCC's Director of Research – served IGC as an opportunity to present findings to senior government figures, including the state minister and other JCC leaders. Tewodros Makonnen explained:

*"We filtered and selected assignments that required rigorous analysis and fit the IGC model," (personal communication, 10 March 2025).*

This embedded approach made IGC not just a source of evidence, but a trusted partner in policy formulation.

Furthermore, these three studies – on referral exclusion, internship design, and skill mismatch – did not sit in isolation. Each one built on the last, together forming a coherent body of work that diagnosed, contextualised, and responded to the deep-rooted inefficiencies in Ethiopia's labour market. They also expanded a shared language – terms like "skills mismatch," "job signalling," and "network frictions" – that have since entered policy discourse and helped shape reform agendas.

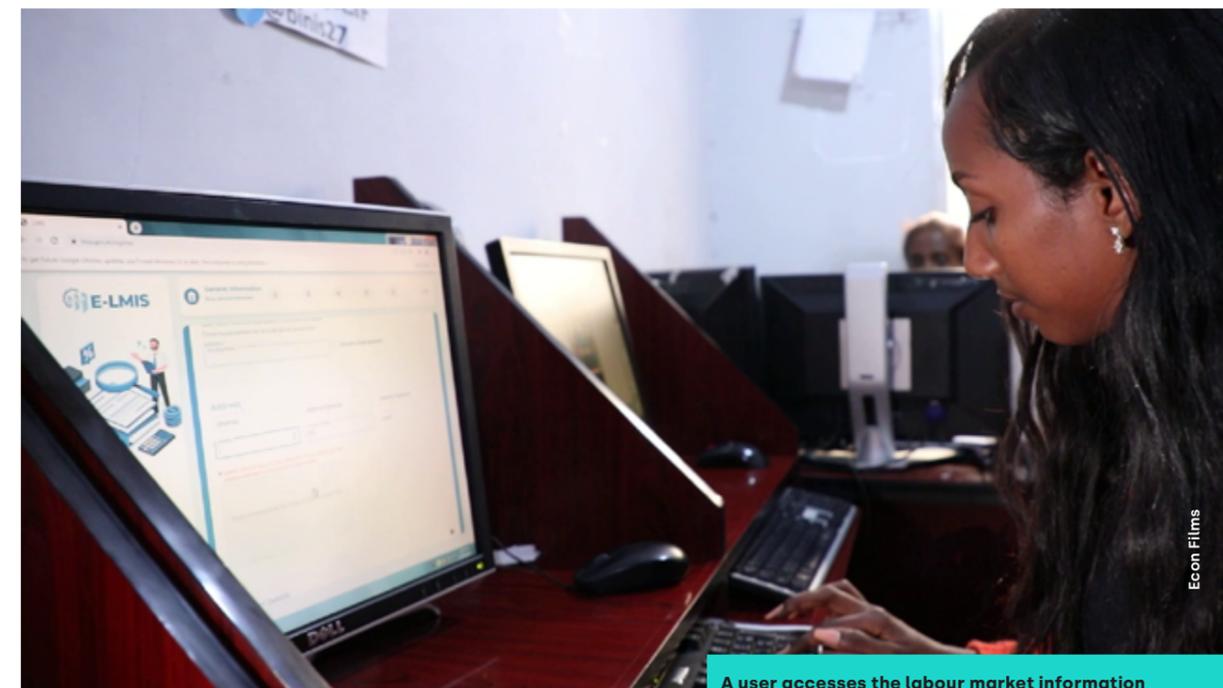
Blene Betemariam, Independent Advisor to the JCC, described IGC's role during this period as highly complementary to government-led processes. While the JCC was driving much of the programme design and strategic direction, IGC's research served as a critical enabler of better decision-making. It **"enabled the decision-makers to also understand what policy to work on"** and **"raised some questions in terms of scaling"**, informing aspects that had not been previously considered, such as the legal framework and implementation challenges. Ultimately, she saw IGC not only as a producer of rigorous evidence but as a "connector", helping government actors make sense of complex issues and advance coherent strategies;

*"I see the role of IGC to be more of the connector, in terms of bringing senses and meaning to maybe what could be done with certain issues, maybe not solving problems, but also giving indications in how to approach it" (B. Betemariam, personal communication, 11 March 2025).*

These projects not only addressed concrete barriers in the labour market but also prompted more foundational questions around institutional design and governance. The JPAC served as a key forum for identifying fragmentation across Ethiopia's employment, skills, and training policies, which directly supported the importance of the creation of the Ministry of Labour and Skills (MoLS) – a renewed Ministry that replaced the MoLSA that would carry forward the JCC's mission within a permanent institution (K. Krumm, personal communication, 3 April 2025). The MoLS was formally established in 2022 following Ethiopia's National Reform. Its mandate spans national job creation, skills development, and labour governance, consolidating functions that were previously scattered across multiple institutions (Ministry of Labour and Skills, n.d.). As H.E. Nigussu Tilahun recalled, **"The very establishment of the MoLS as a ministry is, I can say, research-based"** (N. Tilahun, personal communication, 12 March 2025).

### c. Expanding collaboration with the private sector to strengthen Ethiopia's jobs ecosystem

As Ethiopia's digital infrastructure expanded and the appetite for evidence-based reform grew, IGC began to deepen its partnerships beyond government into the private sector. Central to this shift was its growing collaboration with HahuJobs, a local tech start-up that would become one of the country's most important digital job-matching platforms.



A user accesses the labour market information system (E-LMIS) online job portal



Bezawork Betemariam, Director of Overseas Migration, Ministry of Labour and Skills

The expansion in collaboration with private sector actors to strengthen jobs ecosystems began in 2021, with the IGC-supported study 'Getting Online for Jobs: Reducing Information Frictions', led by researchers Christian Meyer, Morgan Hardy, and Marc Witte. There, the researchers tested a low-cost innovation: scraping job ads from local sources and compiling them into a publicly available database, then printing weekly booklets of vacancies and distributing them at public job centres. It was a simple but effective fix that helped low-skilled job seekers, often overlooked by digital-only platforms, access credible job information.

While this pilot was underway, another actor was beginning to transform the digital job landscape: HahuJobs. Drawing from a range of sources – newspapers, online portals, gazettes, and government boards – HahuJobs began building one of the most comprehensive and standardised repositories of vacancy data in multiple regions of the country, including in Adama,

Hawassa, and Bahir Dar. What started as a small experiment soon gained traction, as employers recognised the quality of candidate matches and began contributing listings. The platform's model shifted from free listings to a subscription-based service, helping ensure financial sustainability while continuing to provide high-quality labour market intelligence.

IGC's researchers quickly saw the potential. Rather than running separate data initiatives, they reached out to partner with HahuJobs, offering analytical and technical support at a pivotal moment in the platform's growth. Although this project is still ongoing, researchers Christian Meyer and Morgan Hardy have already improved data protocols at HahuJobs, helping them introduce international standards like the ESCO classification system, which allowed jobs and skills to be tagged more precisely. The partnership includes capacity building: IGC supports training for HahuJobs staff, helping them navigate the complex process of turning raw job adverts into meaningful data for job seekers, researchers, and policymakers. Through this partnership, IGC helps translate research into infrastructure. It moves from identifying a friction to helping build the tools to fix it.



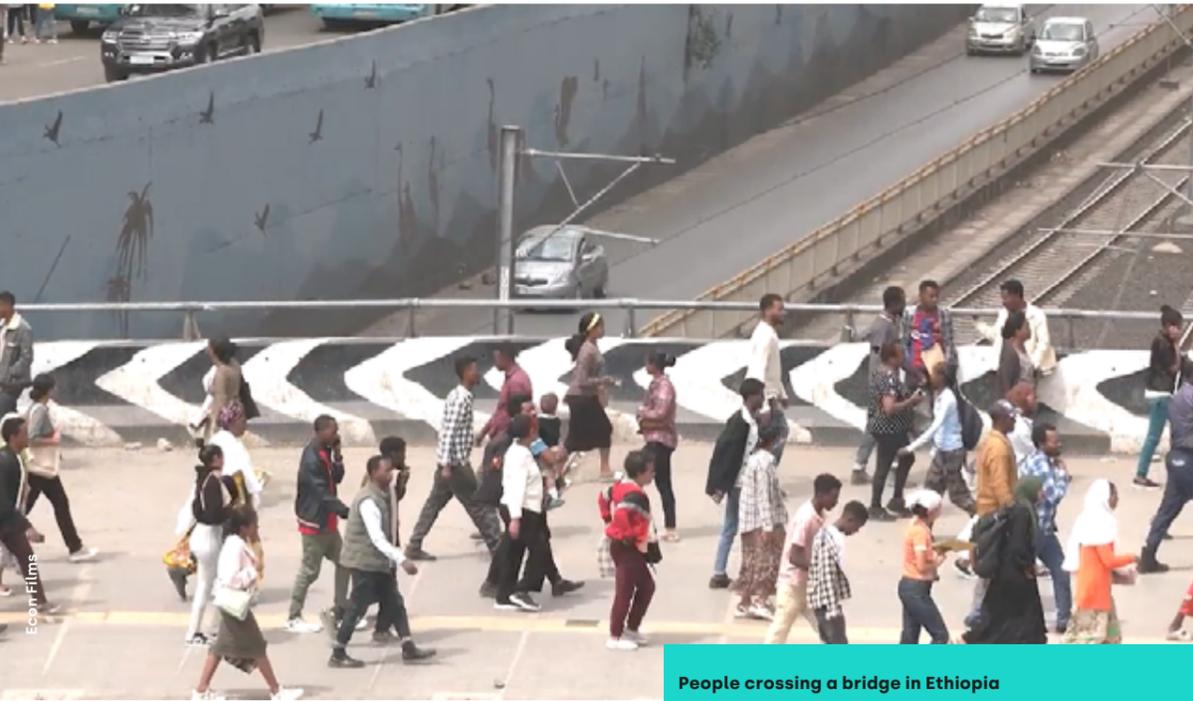
People looking at a job board in Ethiopia

## 4. What makes this work transformational

### a. Key achievements by dimension

**Innovative Contribution:** This research cluster broke new ground by producing the first set of rigorous, policy-relevant studies on urban labour markets in Ethiopia, published in the *Review of Economic Studies*. At a time when local evidence on employment dynamics was limited, the IGC-backed studies filled critical gaps – applying frontier methodologies while maintaining close alignment with policy priorities. What makes this body of work transformational is its cumulative approach: each study addresses a specific friction. The studies demonstrate that while both labour demand and supply exist, they often fail to align due to persistent frictions in information, trust, and social networks. Job seekers frequently apply for roles that are poorly matched to their profiles, employers hesitate to engage unfamiliar candidates, and individuals without strong networks are routinely excluded. These findings challenged the assumption that increasing educational attainment or job availability alone is sufficient to address youth unemployment. Instead, they highlight the need to improve the mechanisms through which job seekers and employers connect.

**Impact:** The most significant impact of this research cluster on Ethiopia's development and labour market policy was its contribution to a new policy mindset – one that sees evidence and experimentation not as academic exercises, but as essential tools for improving the design and targeting of labour market interventions. On the programme level, the internship and apprenticeship study informed the design of the World Bank's Urban



People crossing a bridge in Ethiopia

Productive Safety Net programme, which has linked over 60,000 youth. At a structural level, the evidence generated by IGC contributed directly to validating the importance of establishing the MoLS aiming to create over 3 million jobs per year, as well as systems such as the LMIS platform, which today reaches over 2.4 million job seekers (65% of whom are women).

**Institutionalisation:** Previously, skills and employment issues had been fragmented across different ministries. IGC's convening role and consistent presentation of research findings – via the JPAC –helped make the case for an integrated institution (Ministry of Labour and Skills) to oversee the full employment pipeline based on evidence and research. This helped to significantly advance the infrastructure needed to tackle the disconnection between jobs and jobs-seekers. As a result, Ethiopia now has a stronger institutional framework, improved data systems, and a more sophisticated understanding of labour market dynamics – developments to which this body of research was central.

**Scalability:** The research cluster has shown strong potential to scale across regions, sectors, and social groups. Although the earliest experiments were conducted in Addis Ababa, the research was always designed with wider relevance in mind. Plans to implement digital vacancy-matching tools as part of the most recent study in Tigray region – paused due to conflict – demonstrate this early ambition to scale regionally. IGC Ethiopia has already started exploring further research that targets underserved groups like women and Internally Displaced Persons, as well as on employment systems within Ethiopia's industrial parks, where labour dynamics differ significantly and remain poorly understood.

## 5. Drivers of change

Several factors have been instrumental in enabling the transformational change achieved through this cluster:

**Early engagement and generation of demand.** A defining feature of the cluster's approach was IGC's emphasis on creating the demand for this policy issue, even before it became a government priority, plus early-stage engagement with policymakers. Researchers, facilitated significantly by IGC's Ethiopia office – particularly through Tewodros Makonnen – established strong, trust-based relationships with policymakers from early on. This early engagement allowed research outputs to be highly relevant and practically applicable, thus significantly enhancing the likelihood of policy adoption.

**Ownership from policy champions and responsiveness to stakeholders' research priorities.** Impact was also enabled by Ethiopia's evolving labour policy infrastructure and government ownership over time. The establishment of the JCC and JPAC in 2018 was a turning point. IGC responded rapidly to the new institutional opportunity, meeting with the Commission's founding director – then based in the Prime Minister's Office – and building a close working relationship. Even as political turnover affected institutional continuity, the team demonstrated agility: when new ministers or senior officials replaced previous allies, researchers re-established ties through gatekeepers and mid-level champions.

**Supporting agile research and policy engagement processes through the strategic use of various funding streams.** This ensured the cluster remained relevant, responsive, and multidimensional over time. IGC's ability to iteratively frame sharper questions and commission different types of studies through diverse funding streams – often in dialogue with both policymakers and researchers –enabled the cluster to mature into a robust body of work addressing frictions from multiple angles: signalling, referrals, information asymmetries, and data infrastructure. This openness to evolution –where different methodological approaches (RCTs, diagnostics, operational partnerships) were brought in as needed – enabled the research to remain not only academically rigorous, but also directly useful to a range of stakeholders, timely and at different moments.

**Trusted neutrality and strategic communication of findings.** Beyond formal project outputs, IGC-affiliated economists were strategically positioned within national policy processes, particularly during the JPAC as a result of IGC's trusted academic rigour and neutrality. By participating in these spaces – not merely as observers, but as trusted contributors – a clear channel of influence opened. It enabled evidence to enter policy discourse through informal but high-leverage spaces, often after the formal research phase had ended. Finally, how research was communicated mattered. Policymakers valued synthesis, clarity, and actionable insights; IGC adapted accordingly, translating findings into accessible language, engaging informally ahead of publication to test messaging, and anticipating sensitivities.

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