

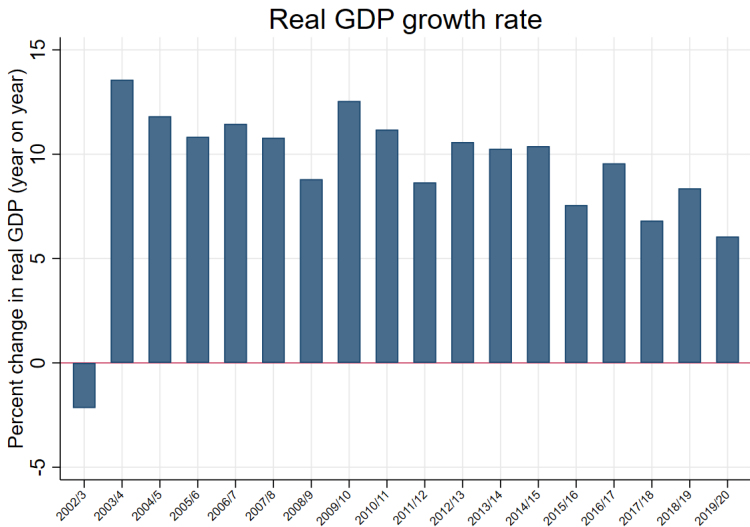
The Ethiopian Labour Market

IGC Ethiopia Country Office

Outline

- 1 Employment trends
- 2 Wages
- 3 Female employment
- 4 Conclusion
- 5 Appendix

Ethiopia has experienced sustained growth over the past 20 years. How has the labor market evolved?



In this presentation, we focus on the urban labor market.

The analysis mostly uses data on employment rates and real wages from 2006 to 2018.

Key definitions here: [Employment rate](#) [Unemployment rate](#) [Labor force participation](#)

Ethiopia's experienced large urban employment gains, which have been largely lost since 2016

- 1 The urban employment rate has grown from 56 to 62 percent between 2009 and 2015 (despite fast labor force expansion).
- 2 Two thirds of this gain was lost in 2 years (2016-2018);
 - Economic growth slowed down during this period.
 - But job creation declined by more than economic growth.
- 3 No gains in female or youth employment since 2006.

And modest gains in real wages

- 1 Real wages grew modestly for most of the period.
- 2 Returns to education have also fallen sharply (in parallel with the increased supply of education).
- 3 But some good news: the gender wage gap has narrowed considerably.

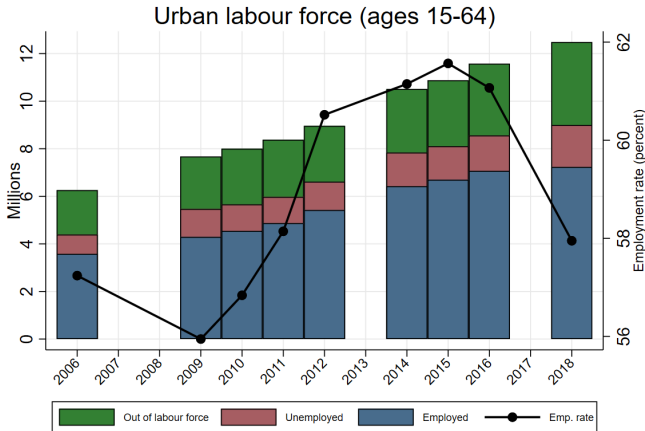
Key conclusions and related policy questions

- Ethiopia was able to expand its urban labor market spectacularly between 2006 and 2015. **Were there additional constraints that could be lifted?**
- What drove the post-2015 slow down? **What policies can we put in place to revive job creation?**
- There is large scope to boost the labor market attachment of women and youth. **How can we do this?**

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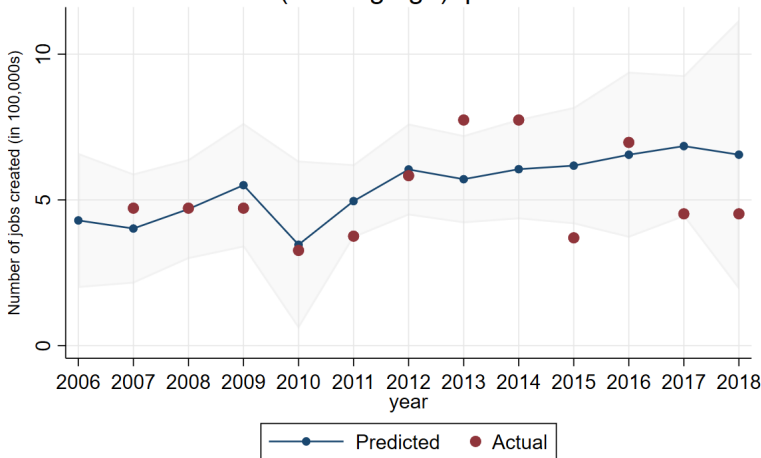
The urban labour force has grown steadily (+70%), with a moderate increase in the employment rate.



Source: UEU 2006, 2009, 2010, 2011, 2012, 2014, 2015, 2016 and 2018

After 2016, job creation slowed down by more than growth

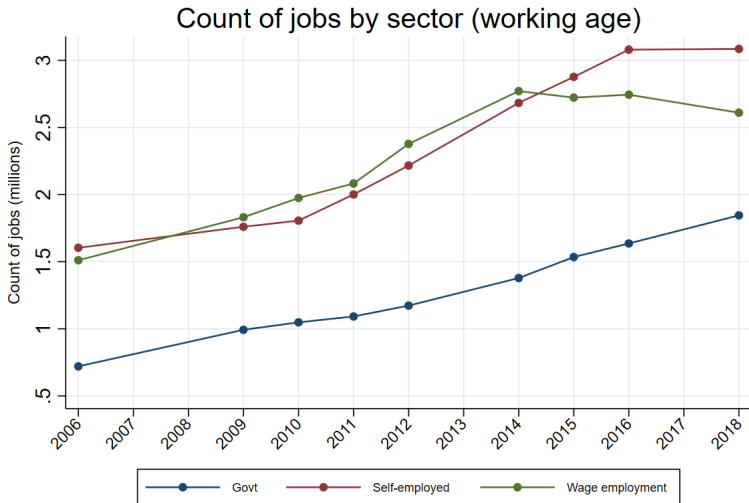
Job creation (working age): predicted vs actual



Note: Predicted values are constructed based on a model that uses time, real gdp growth and its square as explanatory variables. Data from 2016-2018 is excluded

Mostly driven by a sudden halt in the expansion of private wage work and self employment

Shares

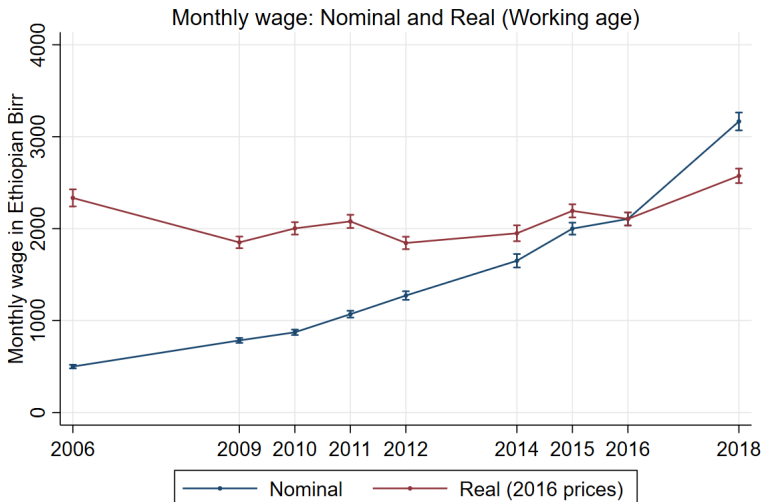


Source: UEU 2006, 2009, 2010, 2011, 2012, 2014, 2015, 2016 and 2018

Outline

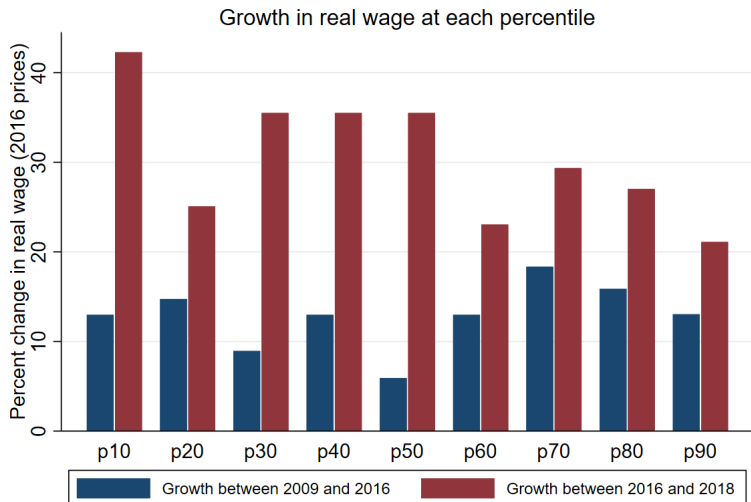
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Real wages grew modestly between 2009 and 2016



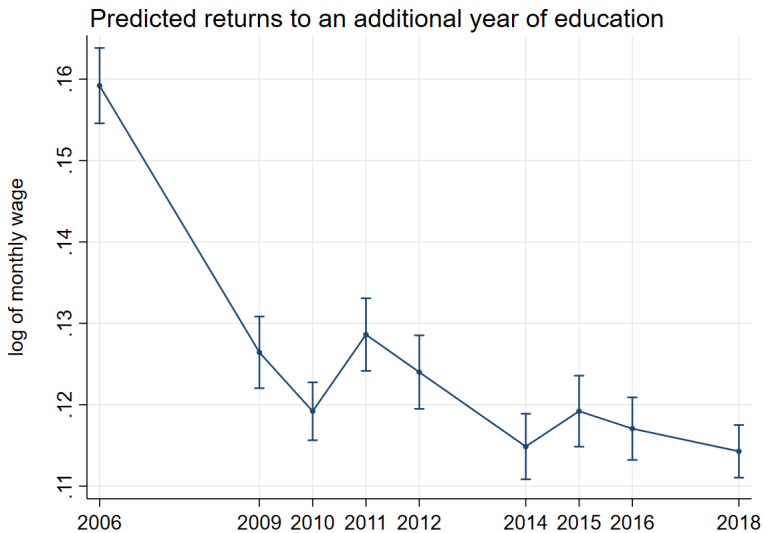
Source: UEU 2006, 2009, 2010, 2011, 2012, 2014, 2015, 2016 and 2018

This is true for all parts of the wage distribution



Source: UEU 2009, 2016 and 2018

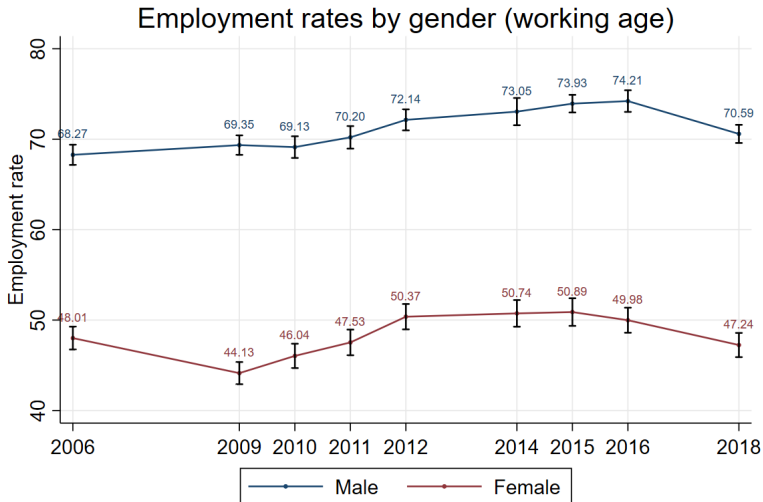
Returns to education have fallen sharply



Outline

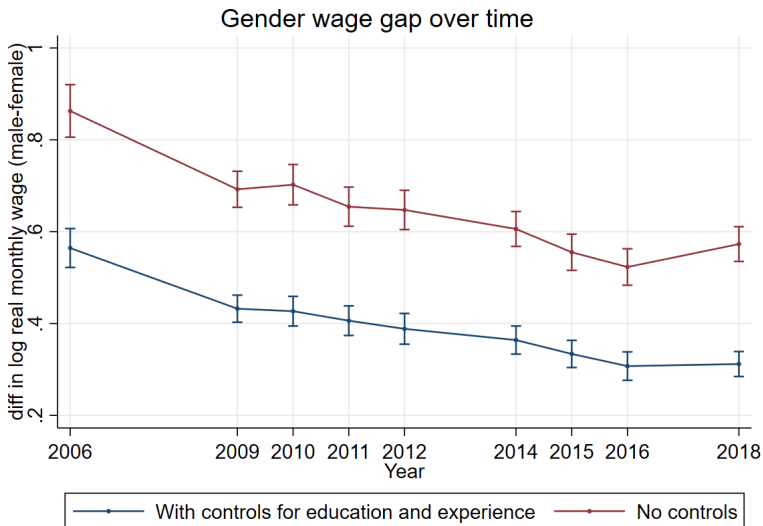
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No gains in female employment compared to 2006.



Source: UEU 2010, 2011, 2012, 2014, 2016 and 2018

But a major narrowing of the gender wage gap!



Key open questions

- What are the policies can we put in place to revive job creation?
- How can we make sure women and youth secure better employment outcomes?

Definition of unemployment rate [Back](#)

- The ILO defines unemployment rate as:

$$\text{unemp rate}_{ILO} = \frac{\text{Unemployed and actively looking for work}}{\text{Labour force}}$$

- Ethiopia's Central Statistical Agency (CSA) uses a definition in which the looking for work criterion is relaxed. Unemployed persons who are willing to work at the prevailing market conditions are included, even if they did not actively look for work in the reference week.

$$\text{unemp rate}_{CSA} = \frac{\text{Unemployed and available for work}}{\text{Labour force}}$$

- The labour force consists of people who were engaged in gainful employment in the reference week + persons who are currently unemployed.

Definition of labour force participation rate [Back](#)

- Labour force participation rate is defined as:

$$\text{LFP rate}_{\text{CSA}} = \frac{\text{Active labour force in the working age population}}{\text{Total working age population}},$$

where "active labour force" is defined as the count of people who were employed in the reference week + those who are unemployed but willing to work (as per CSA's definition). All persons aged between 15-64 years are included in the working age population.

Definition of employment rate [Back](#)

- Share of Employment rate is defined as:

$$\text{Emp rate}_{ILO} = \frac{\text{Employed persons in the working age population}}{\text{Total working age population}}$$

where "employed" corresponds to persons who were engaged in gainful employment in the reference week. All persons aged between 15-64 years are included in the working age population.

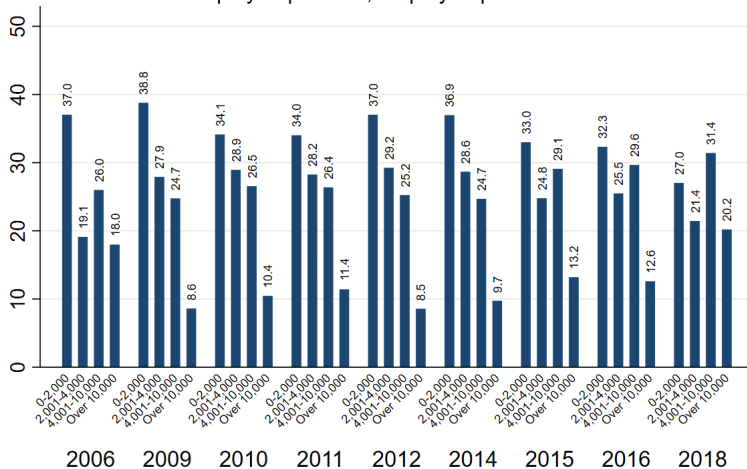
Definition of real wage [Back](#)

- Real wage is calculated by deflating reported nominal wage by the average cpi index for each year, as reported by Ethiopia's CSA. The base year for the cpi index is taken to be 2016.

$$\text{Real wage}_t = \frac{\text{Reported nominal wage}_t}{\text{CPI index}_t}$$

Changes in the wage distribution

As a ratio of all employed persons, employed persons that earn between...

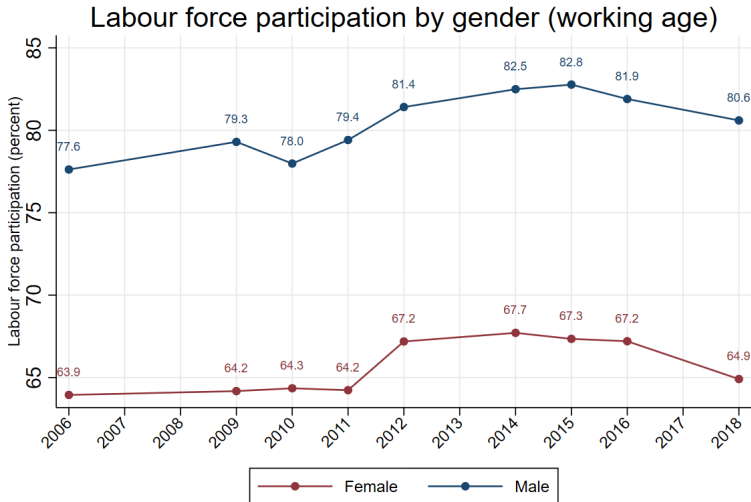


Note: Monthly wages in birr (2016 prices)

Source: UEU 2006, 2009, 2010, 2011, 2012, 2014, 2015, 2016 and 2018

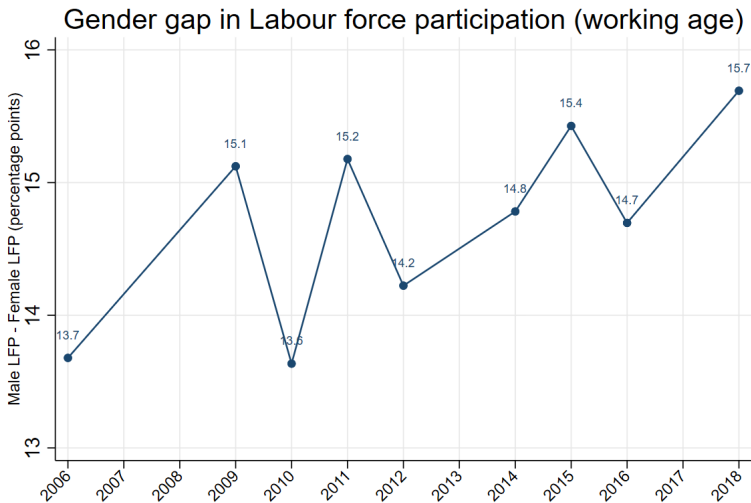
LFP gains have been similar for males and female until 2016

Definition



Source: UEU 2006, 2009, 2010, 2011, 2012, 2014, 2015, 2016 and 2018

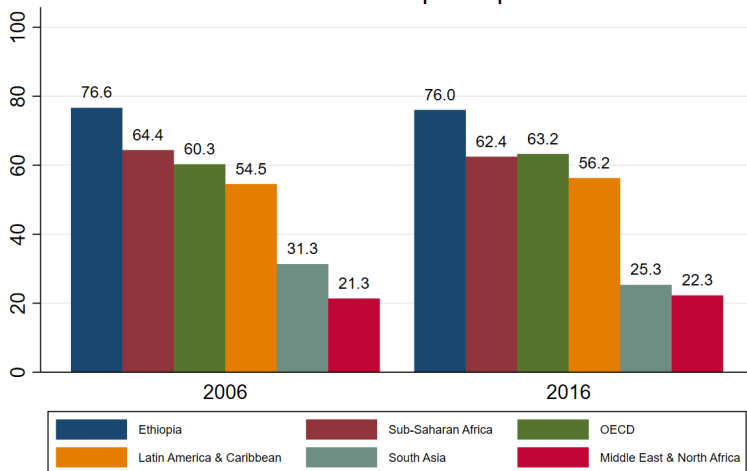
However, female LFP fell in 2018 and the LFP gender gap rose markedly in recent years



Source: UEU 2006, 2009, 2010, 2011, 2012, 2014, 2015, 2016 and 2018

Cross-country comparison: Female LFP (urban+rural)

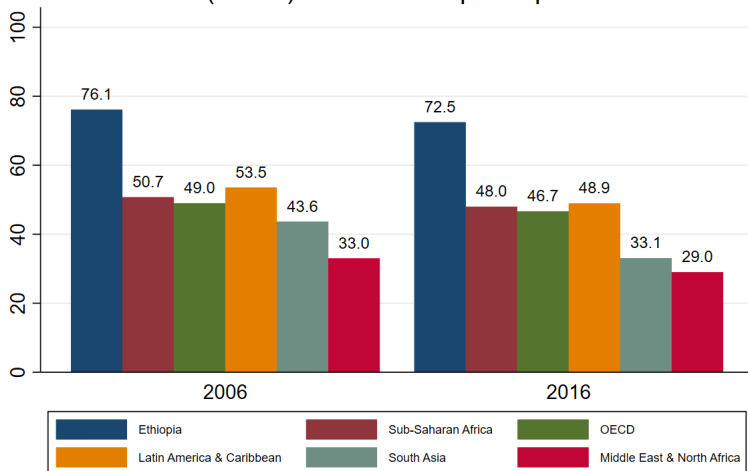
Female labour force participation rate



Note: modeled ILO estimates from data.worldbank.org

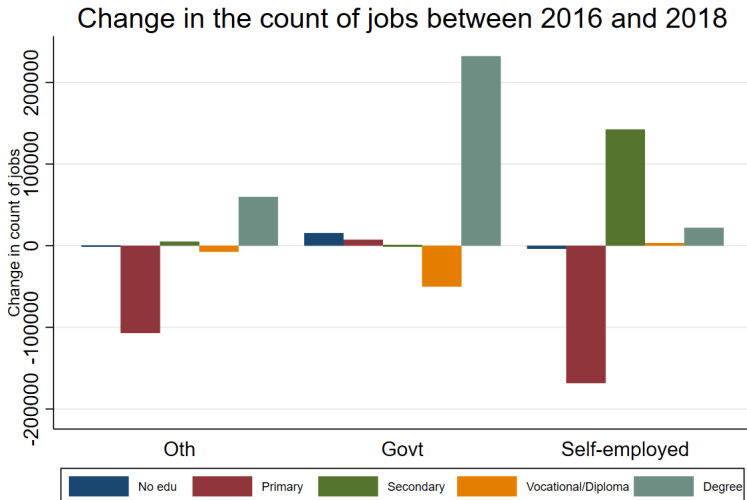
Cross-country comparison: youth LFP (urban+rural)

Youth (15-24) labour force participation rate



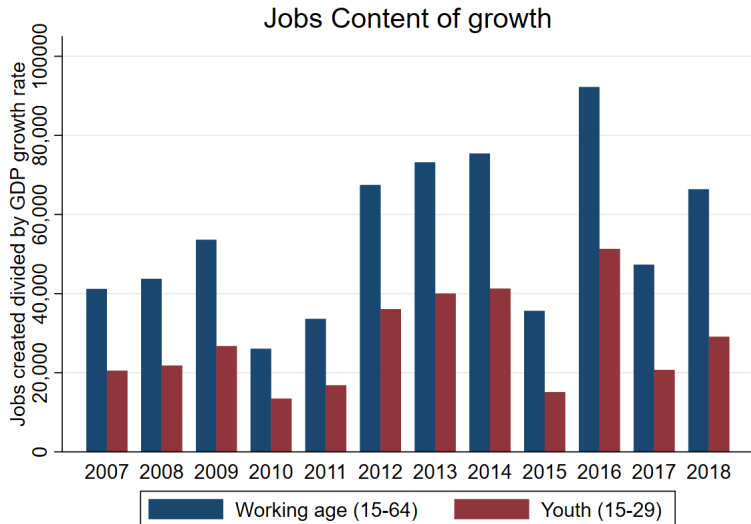
Note: modeled ILO estimates from data.worldbank.org

What happened between 2016 and 2018?



Source: UEU 2016 and 2018

Some youth-bias in job creation



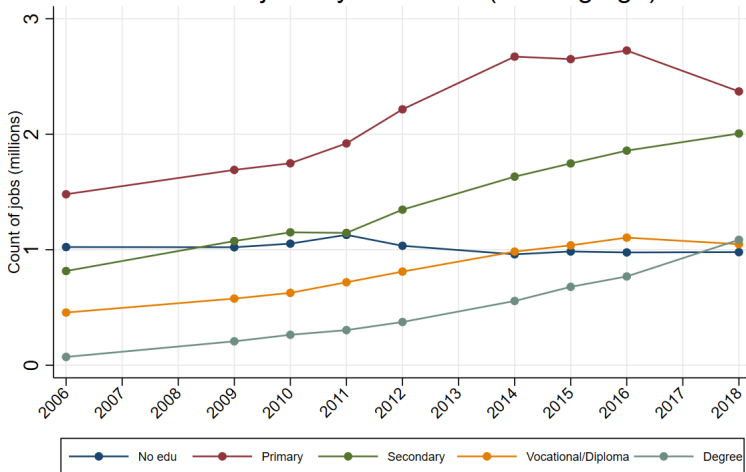
Employment by sector [Back](#)



Source: UEU 2006, 2009, 2010, 2011, 2012, 2014, 2015, 2016 and 2018

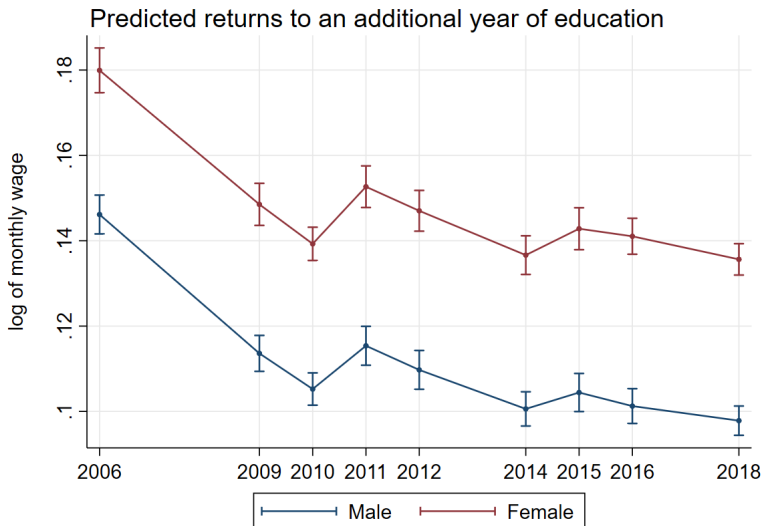
Count of jobs by education level [Back](#)

Count of jobs by education (working age)

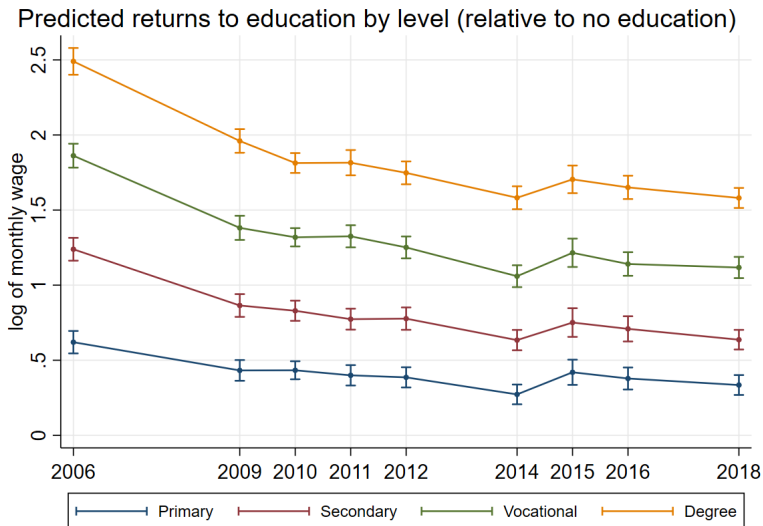


Source: UEU 2006, 2009, 2010, 2011, 2012, 2014, 2015, 2016 and 2018

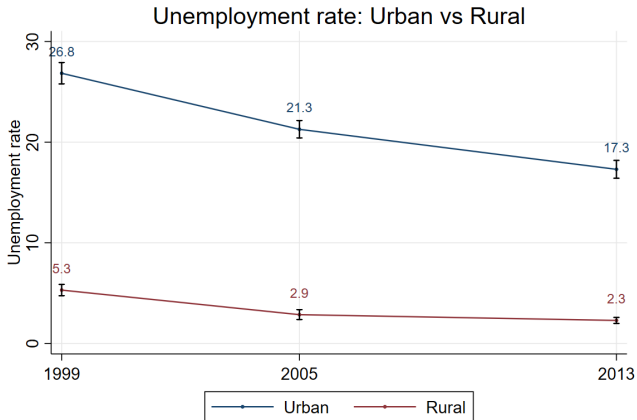
Returns to education by gender



Returns to education by education level

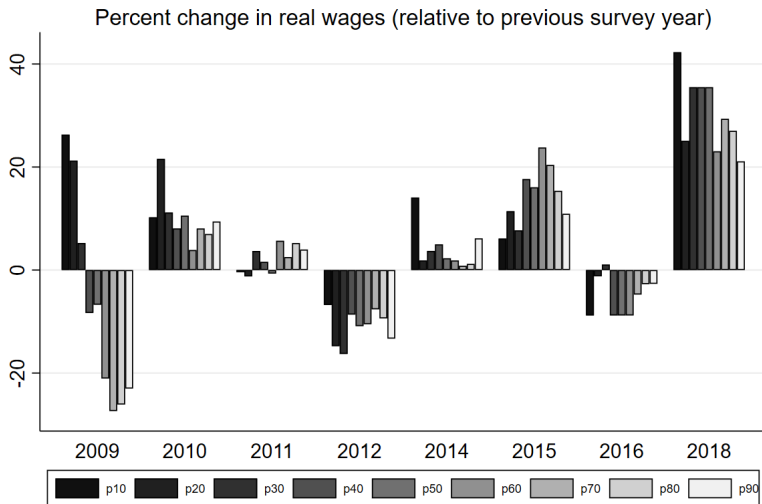


Unemployment from national survey Definition



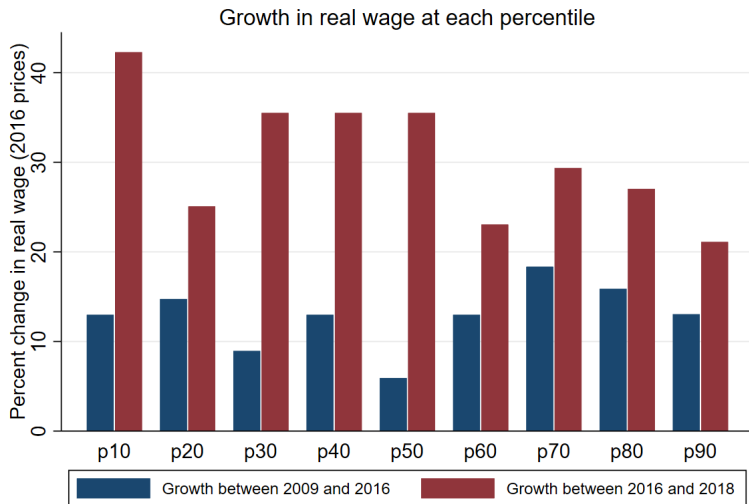
Source: NLFS 1999, 2005 and 2013

This is true for all parts of the wage distribution



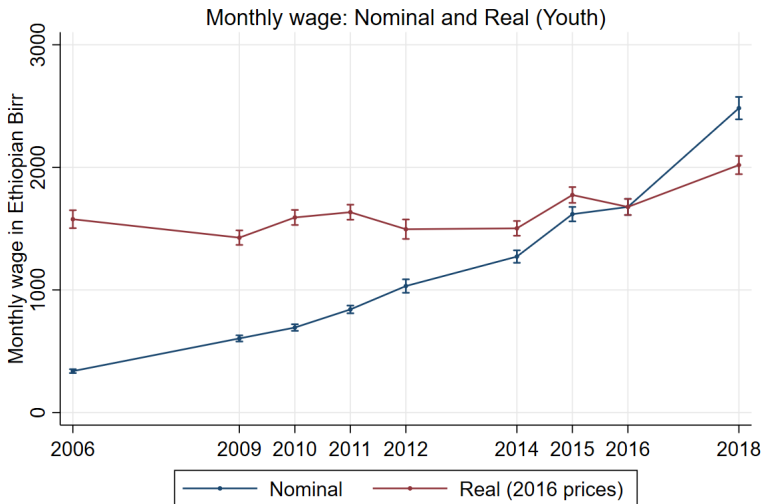
Source: UEU 2006, 2009, 2010, 2011, 2012, 2014, 2015, 2016 and 2018

This is true for all parts of the wage distribution



Source: UEU 2009, 2016 and 2018

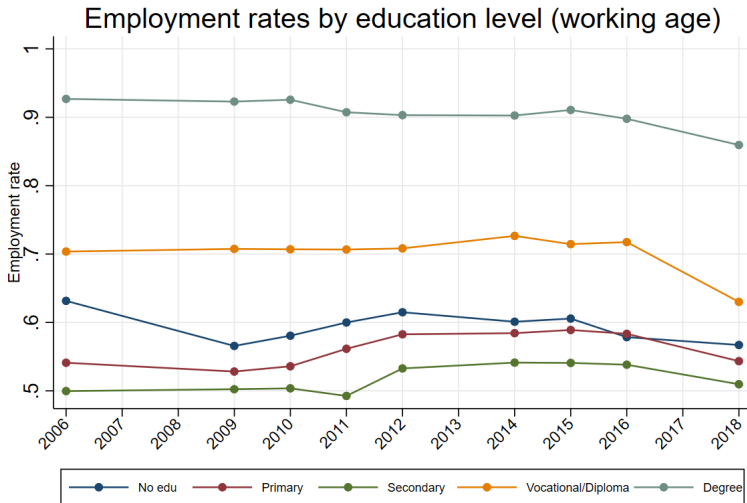
Some wage growth for youth too between 2009 and 2016



Source: UEU 2006, 2009, 2010, 2011, 2012, 2014, 2015, 2016 and 2018

After 2016, employment rates declined for most education groups

Count



Source: UEU 2006, 2009, 2010, 2011, 2012, 2014, 2015, 2016 and 2018