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Ethiopia's youth and their labour market prospects

The transition from education to employment often presents challenges for the youth in many countries, culminating in rates of youth unemployment that are habitually higher than the unemployment rate for adults. High youth unemployment is likely to have adverse social and economic consequences for an economy, with a large proportion of the young population unable to engage in productive activities.

For governments to intervene with employment policies and programmes, they need a thorough understanding of who the unemployed youth are, where they are located and the types of jobs they are engaged in. This prompts the following questions:

- Does the prevalence of youth unemployment differ across geographical regions and/or across gender?
- To what extent can youth unemployment be explained by a skills shortage amongst the younger members of the population? Would higher rates of educational attainment be associated with declining rates of youth unemployment?
- What can governments do to reduce youth unemployment? What kind of policies or interventions should be pursued?

In Broussard and Tekleselassie (2012), we provide a comprehensive description of the main characteristics of the youth labour market in Ethiopia. In so doing, we aim to provide an indication of how Ethiopian youth are able to transition from school to work, and hence to inform the design of education and labour market policies.

While unemployment in urban areas remains widespread, it declined markedly since 1999 for the economy as a whole and for youth. The improvement in the urban labour market since 1999 is also displayed in decreases of underemployment and informal sector rates.

Analysing data throughout the period 1999-2011, we find 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.

Gender and unemployment

While the economy has demonstrated impressive reductions in unemployment, women have not benefitted as much as men. We find significantly higher unemployment rates amongst female youth as compared to their male counterparts; in 2005, unemployment rates for females and males were 11% and 4%.

unemployment rates for females and males were 11.7% and 1.7%, respectively. Furthermore, the female youth that are employed are often confined to the informal sector.

The unemployed are thus disproportionately female and their share of the unemployed has not changed over time. Women comprise approximately 52% of the youth labour force; however, in 1999 and 2011, 67% of all unemployed youth were women.

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% in 2005 compared to just 1% for male youth. In urban areas, female youth outcomes are even more disturbing. In 2011, unemployment rates for female youth were at 30%, 14 percentage points higher the rate for male youth. Women are also more likely to participate in the informal sector. In 2011, 41% of employed women were employed in the informal sector.

Educational attainment and employment

It is widely believed that improvements in the quality and quantity of education can raise employment at the individual and country level. The share of the youth population acquiring skills increased substantially between 1999 and 2011. The most impressive change observed over this period is the increase from 4% to 20% of youth having some form of higher education. This trend is witnessed for both men and women.

Contrary to what would be expected, however, we find a positive relationship between educational attainment and unemployment in Ethiopia in 1999 and 2011. While there have been significant increases in educational attainment, there has not been as much job creation to provide employment opportunities to the newly educated job seekers. We observe 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, particularly with jobs which demand highly skilled labour (as measured by education).

On the other hand, we find evidence for a negative relationship between vocational training and unemployment in Ethiopia. With the Ethiopian government's strong belief in micro and small enterprises (MSE) as important sources of employment and job creation, special attention has been given to technical and vocational education and training (TVET) (MOE 2002) in order to meet the training needs for such enterprises. We find an increase in vocational training and individuals obtaining specialised training between 1999 and 2005. For men, there is a clear negative relationship between unemployment and certificate holding with individuals that received a certificate for professional training had lower unemployment rates. However, for women, this relationship is less pronounced.

Government interventions

Significant improvements are required in order to create employment opportunities for women and for educated and

employment opportunities for women and for educated and skilled youth. We have identified several policies and interventions currently in place that directly or indirectly impact the labour market outcomes of Ethiopian youth. These include government interventions in the labour market (TVET training), poverty reduction strategies and economic growth plans, all of which appear to have potential. In recent years the government has been implementing a more active industrial policy to facilitate structural transformation, which in turn is instrumental in creating more sustainable quality jobs.

Further reading

Broussard, N H and T G Tekleselassie (2012), "Youth Unemployment: Ethiopia Country Study", IGC Working Paper No. 12/0592.