

# Addressing the Urban Youth Employment Challenge in Ethiopia

Urban youth employment is a fundamental challenge that will shape Ethiopia's present and future development. In the coming two decades, the urban population is expected to triple from the current 19 per cent. This enormously young urban population requires an enabling and inclusive socioeconomic and political system to become a catalyst for structural transformation. The first crucial step is to design adaptive policy strategies that correspond to the dynamics of high rates of urbanisation. Second, it is imperative to harmonise government intervention with a long-term development plan. Third, it is also vital that unemployed urban youth who are job searching receive systematic support.

## Adaptive policy strategies

Being the least urbanised country in the world might be a blessing in disguise for Ethiopia. This may give the Ethiopian government a slight window of opportunity to shape the process of urbanisation in line with its long-term plan of achieving structural transformation. There are three major factors contributing to increased urban population in Ethiopia. Natural population increases will account for 40 per cent of the growth in urban population. Rural-to-urban migration and reclassification of villages into towns are also major sources for the increase in total urban population. However, it is predicted that from as early as 2018 rural-to-urban migration will outpace natural population increases in urban centres, and contribute between 41 and 47 per cent of total annual urban population growth by 2032. All of these three causes generate specific opportunities and challenges in relation to urban youth employment. Capitalising on the opportunities and addressing the challenges essentially requires adaptive and flexible strategies rather than a 'one-size-fits-all' approach.

A key difference also exists between Addis Ababa and other Ethiopian cities in terms of the unemployment rate and the proportion of formal jobs. Addis Ababa has high rates of unemployment compared to other cities in Ethiopia. The proportion of formal jobs (waged-employment) in Addis Ababa is higher than in other cities. Evidence also shows that as cities in Ethiopia grow, the proportion of waged-employment opportunities created in the cities also increases. This is a positive trend that needs to be enhanced towards creating more formal employment opportunities.

Policies also need to recognise that urban youth is a heterogeneous social group. There are differences based on gender, socioeconomic status, educational level, geographic location and personal aspirations. The mere fact of being an urban dweller and between the ages of 15 and 29 should not be the only criterion of defining urban youth or devising targeted policies. Recognising diversity among urban youth in terms of opportunities, challenges and experiences, is a vital step towards context-relevant youth employment policy strategies.

## Less entrepreneurship, more waged-employment

The Ethiopian government invests heavily in micro and small-scale enterprises (MSEs) to address the urban youth unemployment challenge. The driving narrative is that youth unemployment can be tackled if young people have opportunities to become self-employed and entrepreneurs. Policy interventions focus on providing soft skills and behavioural change training as well as financial support. However, the long-term impact of focusing on entrepreneurship is incompatible with the developmentalist orientation of the government. Structural transformation occurs when agricultural-based economy shifts towards manufacturing/industry-led economy. Furthermore, structural transformation relies on the extent to which the economy is creating formal and waged-employment opportunities to the young and better-educated labour force.

The huge financial and technical investment by the Ethiopian government is contributing more to the expansion of informal employment than

formal employment. In fact, economic growth for more than a decade has had very minimal impact in expanding formal employment. Evidence shows that in 2003, the wage-employed workforce was 48 per cent and in 2014, the percentage changed only to 49 per cent. It is concerning that the significantly improved level of education among the current labour force is not reflected in the formal and waged workforce. Hence, it is imperative that the Ethiopian government reconsiders its investment to the expansion of entrepreneurial schemes and focuses more in facilitating the creation of formal and stable waged-employment.

The Ethiopian government needs to place more emphasis on the demand side of the labour market so that the highly educated young labour force is integrated meaningfully into the economy. This approach can be harmonised with the government's initiative to establish industry

zones in different parts of the country. These industry zones need to create more formal jobs and shape the urbanisation process linked with migration and reclassification of villages.

### Effective job searching and matching systems

Unemployed urban youth also face the challenge of gaining sufficient and systematic information during job searching. There is a high cost in terms of movement, time, money and other resources associated with job searching and matching. Most vacancy advertisements are not easily available and require travelling to central places to visit advertisement boards or to find newspapers. Evidence shows that costs related to job searching amount to 25 per cent of the weekly expenditure of job seekers. Technology-supported, efficient and effective ways of providing vacancy information need to be made available to effectively address issues of urban youth unemployment.

## Policy recommendations

### 1. Urban youth employment policy needs adaptive and contextual strategies:

- Ministries on youth, urban development, education and economic development need to enhance co-ordination and formulate policy strategies that correspond to the different drivers of urbanisation and the associated challenges and opportunities they generate.
- Government needs to consider urban youth as a diverse group to ensure their specific challenges are addressed and opportunities are enhanced.
- Regional states and municipalities may need a policy space to formulate effective urban youth employment strategies that correspond to their own context.

### 2. Prioritise waged-employment over entrepreneurship:

- Government needs to focus on creating the demand for the educated labour force through state investment, private investment and also public-private partnership.
- Government needs to incentivise the private sector to establish firms that generate waged-employment without letting the young labour force become adversely incorporated in the value chain.
- Successful MSEs need to be supported to graduate to the medium level so that they can generate formal and waged-employment opportunities.

### 3. Job searching needs efficient and effective systems:

- Government needs to provide incentives for the private sector to develop accessible technologies for easier job searching and matching.
- In the long term, government can roll out unemployment benefit for the unemployed youth in order to help their job searching.

## Further reading

AfDB, OECD and UNDP (2016) 'Ethiopia', in *African Economic Outlook 2016: Sustainable Cities and Structural Transformation*, Paris: OECD Publishing

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