Youth Employment in Ethiopia: Stocktaking and Policy Questions

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Labor Markets and Employment in Ethiopia and the Emerging Policy Agenda

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Overview

- Global Context and Ethiopian Stylised Facts
- Policy Angles
  1. Affecting overall labor demand
  2. Improving the quality of labor supply
  3. Improving the integration of youth
- Next Steps & Areas for Further Research
Global Context

- Importance of addressing challenges that face youth is increasingly recognized at the global level...
- ...but little evidence is available on impact and cost-benefit of youth employment interventions—much more is known about effective early childhood interventions

- World Bank is beginning to place greater emphasis on tackling themes relevant for youth:
  - Education/employment nexus
  - Risky/healthy behaviors (issues of health/crime/drugs/violence/etc.)
  - Effective integration of youth voices into design and implementation of development programs
  - Assisting the most vulnerable youth
    - WDR 2007: Development for (and by) the Next Generation
    - Significant increase in lending with youth specific components
Ethiopian stylised facts: Youthful population

- Children and youth represent more than half the population
- Youth: 28% of the total employed population in 1999

NB International definition of youth (15-24 years) used, rather than Ethiopian definition (15-29 years) to allow comparability

Ethiopian stylised facts:
Increased challenges for youth

- Significant health risks, especially in reproductive health and HIV/AIDS

- In rural areas, growing cohort of landless youth
  - Average rural landholding has fallen from 0.5 ha in the 1960s to 0.21 ha today... a land poor class is emerging
  - Lifecycle & gender partly explain inequality in land access
    - Households whose heads are over 50 years have about 0.025 ha more land per household member than where head is 30 years
    - Female-headed households have average of 0.07 ha (=1/3) less land per household member than male-headed households
Ethiopian stylised facts: Youth disadvantage in labour market

- Youth less likely than adults to have formal paid employment than adults; 68% of employed youth (rural and urban) are unpaid family workers

- Urban youth employment rate fell more than 8 percentage points from 1999 to 2004

- Urban youth activity rates also fell, partly because of rising school enrollment
Ethiopian stylised facts:
High rates of open youth unemployment

Youth are more likely than adults to be either unemployed or underemployed

**Hours Worked and Underemployment,**
*Urban Areas, 2003*

**Trends in Urban Unemployment,**
*1999-2004*
Ethiopian stylised facts: High rates of open youth unemployment

Estimate of unemployment depends on definition used → per international definition, estimate of urban youth unemployment (2004):

- 6% -- 15-19 year olds
- 18% -- 20-24 year olds
→ 11% -- 15-24 year olds

BUT Ethiopia’s high youth unemployment rates are not unique

Leibbrandt and Mlatsheni, 2004. Years of data not specified.
Policy Angles

1. Increasing overall labor demand
   - Economic performance & Investment climate
   - Possible effects of labor regulations

2. Improving quality of labor supply
   - Education & training

3. Improving integration of youth into the labour market
   - Business development facilitation
   - Multi-sectoral initiatives
   - Better information
1. Importance of aggregate labour demand

- Rising demand for labor, and economic growth, are important underpinnings for robust growth in youth employment.

- If growth is pro-poor, it is by implication pro-young (since young people disproportionately poor); important to think in terms of overall development strategy and job creation rather than only about youth-specific interventions.

- Investment climate, including labor regulations, plays a key role.
Existing regulations and labor demand

- **Ministry of Labor and Social Affairs: Labor Law**
  - Includes guarantee of rights for workers to form associations, regulates apprenticeships, & employment of young people
  - Labor Law does have a general stipulation of a maximum workday of 8 hours (48 hours/week)

**BUT weak enforcement**

- No minimum wage (public sector jobs follow a pay scale)
2. Improving the quality of youth labor supply

- Internationally, most programs intended to boost youth employment are supply-side interventions, in particular linked to education and training -- examples include literacy and basic skills training programs targeting disadvantaged youth, linked to income-generating activities.

- **Education Sector Development Program:**
  - Major investments in primary education have dramatically increased enrollment rates, & improved youth literacy.
  - Expansion of primary education puts pressure on secondary and TVET demand.
Ethiopia’s TVET programs were criticized as supply-driven, but, increasing attention to demand side
- MOE working to improve relevance and practicality of curricula
- Efforts underway to work more closely with employers; some TVET institutions provide assistance in securing a job
Cost-sharing program allows poorest students to attend at a reduced cost and repay once they can afford it.
Analysis of UBEUS data shows significant positive impact of TVET on likelihood of employment—effect stronger for women, & in non-Addis urban areas

University enrolment to be expanded – now among lowest in Africa (0.8%)
Informal/non-formal education

- MOE operates basic literacy/numeracy training for out-of-school children, youth, and adults

- There are 400 Community Skill Training Centers (CSTCs) around the country, but many have fallen out of use
  - German Adult Education Association & Inst for Int’l Cooperation (IIZ/DVV) rehabilitates CSTCs, and conducts local needs assessments to offer relevant courses

- There are also many private vocational training centers

- Overall reach of informal/non-formal programs is small: about 2.3% of total urban population covered; only 0.7% of youth
Targeting disadvantaged groups

**Conditional Cash Transfers**, conditional on secondary school attendance
- Used in Mexico, Colombia, Brazil, Jamaica
- Aim to reduce demand-side constraints to enrolment
→ Found to have a high impact, and to be efficient in targeting the poor

**Kenya: Jua Kali Voucher Program**
- Entrepreneurs or employees of SMEs receive training vouchers so they can gain skills--Jua Kali associations distribute the vouchers to members
- Not yet evaluated, but believed to have had a positive impact
- Lessons from the scheme include that private sector better administers such programs, rather than government

**Bangladesh: Female Secondary School Assistance Program**
- Cash stipends to rural female secondary school students, transferred to the girl’s own bank account
- Transfers tuition and fees directly to schools
- To be eligible, girls must attend 75% of days in school year, be unmarried, and maintain satisfactory academic performance
- Number of beneficiaries grew from 187,000 (1994) to 900,000 (2000), and girls’ attending at higher rates than boys in areas covered by the program
3. Improving integration of youth: existing mechanisms

- **Ministry of Trade and Industry: Medium and Small-scale Enterprise Development Strategy**
  - Aims to facilitate job creation, economic and export growth via strengthening of the MSE sector
  - Strategy pays particular attention to unemployed youth, women, and other vulnerable groups
  - Importance of MSEs also noted in the Industrial Development Strategy

- **Micro-Finance Institutions**
  - Restrictions on allowable interest rates and the size of individual loans have recently been relaxed
  - MFIs exist in all regions except Somali, Afar, Gambella
    - More than 1 million loan clients nationwide, but according to NBE, less than 10% of demand is satisfied
    - Youth may have difficulty accessing microfinance due to group collateral arrangements
Obstacles facing youth in business

Business development facilitation services

Federal MSE Development Agency’s training center in Addis Ababa

- Enterprise development courses are the most popular
- Many of the students are sponsored by NGOs, who in some cases also help the students find jobs once they graduate

→ Has served 200,000 beneficiaries and created about 150,000 jobs:

- Provides access to a work place for entrepreneurs (blue kiosks, work sheds), and access to credit = ‘one-stop shop’
- Offers business development/marketing assistance to existing enterprises, as well as licensing/legal support and other information, skills development, and counseling services
- Capacity (financial and human) is insufficient to meet growing demand for the agency’s services
Multi-sectoral initiatives

- **Ministry of Youth, Sport, & Culture: Ethiopian Nat’l Youth Policy**
  - Objective: encourage active participation of youth in economic, social, and cultural life of the country, and support democratization and good governance
  - Aims to facilitate participation of youth in national development planning and evaluation, youth employment, and education of young people (among other goals)

- Youth organizations -- eg Addis Ababa Youth Association:
  - Skills enhancement and business development support
  - Health education (e.g. HIV/AIDS awareness)
  - Exercising citizenship (e.g. election monitoring)
Improving labor market information

- Lack of information about job opportunities and options may disproportionately affect youth
  - International experience on employment matching services tends to suggest impact limited; but career counseling services useful

- In Ethiopia, employment matching services aim to link job seekers with employers
  - BOLSAs offer employment exchange services, and plan to introduce career counseling services
  - Regional Public Employment Services offices perform similar functions
  - there are also private employment services

- Roads and transportation are essential for labor mobility, which is especially important for jobseekers (i.e. youth)
  - Youth are relatively likely to be migrants, or to travel for work on a daily basis
Linking youth to the labor market

**Uganda: GTZ “Youth Truck”:** Truck travels to rural areas
- Equipped with career promotion/training materials, such as how to start simple businesses with low initial capital (e.g., making yogurt)
- Truck has computer with interactive database explaining how to develop different kinds of businesses
- Provides skills training and visits village again later to track progress

**World Links Internet Learning Centers:** present in 6 countries;
- School-based telecenters run by young people (in some cases) provide job search resources along with skill development and information on employment opportunities (www.world-links.org)
International examples of schemes to integrate youth

- Some countries (Argentina) have wage subsidy programs for hiring from certain disadvantaged groups

- Levy-grant systems—employers required to contribute a percentage of the salary of low-wage employees to a training fund, which they can then mostly recoup by providing training grants for their workers
  - relevant to Ethiopian context?

- “Youth Business International” has programs in 12 countries and helps disadvantaged youth finding training and financing resources to start a business, with each beneficiary being assigned a local businessperson as a mentor
Measures to integrate youth: lessons from experience

- Preventative rather than curative interventions seem to be the most effective for young people... e.g. improving school quality, and keeping them in school
- Some evidence also suggests that youth-targeted programs (such as training programs) may be more effective in developing, than in OECD, countries
  - “First Job” program in Brazil links employers and students; financed by local government, it tracks students’ performance in school and on the job
- Better results from programs that integrate training with remedial education, job search assistance, and social services – with private-public partnerships; work and internship opportunities also useful... however such programs are costly
- Private training providers tend to have better results than public providers
Emerging lessons

- Design of appropriate interventions must be country-specific...in selecting investments in youth:
  - Innovate and take pilots to scale to achieve impact
  - Prioritize gender sensitivity
  - Target poorest/most vulnerable (may not be the unemployed)
  - Use multi-sectoral approaches

+ Include youth representatives in strategic planning

- A number of countries now developing National Action Plans for Youth Employment (including DRC, Mali, Namibia, Nigeria, Rwanda, Senegal) – Ethiopia formulated its Youth Policy in 2004
Next steps

- Analysis of the economic and social impacts of potential youth interventions, to inform policy choice and program design
- Identify successful initiatives in Ethiopia and assess strategies for scaling up activities
- Identify mechanisms to promote youth participation in design of development strategies and programs