



CHILD LABOUR AND YOUTH EMPLOYMENT OUTCOMES

IN ETHIOPIA

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Understanding Children's Work
An Inter-Agency Research Cooperation Project



MAIN POINTS OF DISCUSSION

- Youth employment begins at 8 years of age (for some but large groups)
- Youth enter the labour market with very low level of human capital
- Educated youth face specific but not dramatic problems in urban areas
- Relevance of household wealth for labour market outcomes (weak)
- Relevance of local labour market conditions (robust)
- Policy questions



Section 1.

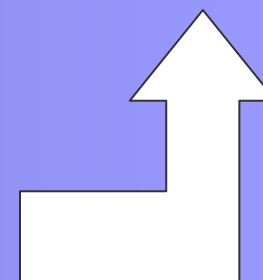
CHILD LABOUR IN ETHIOPIA

Table 1. Child activity breakdown, by age group

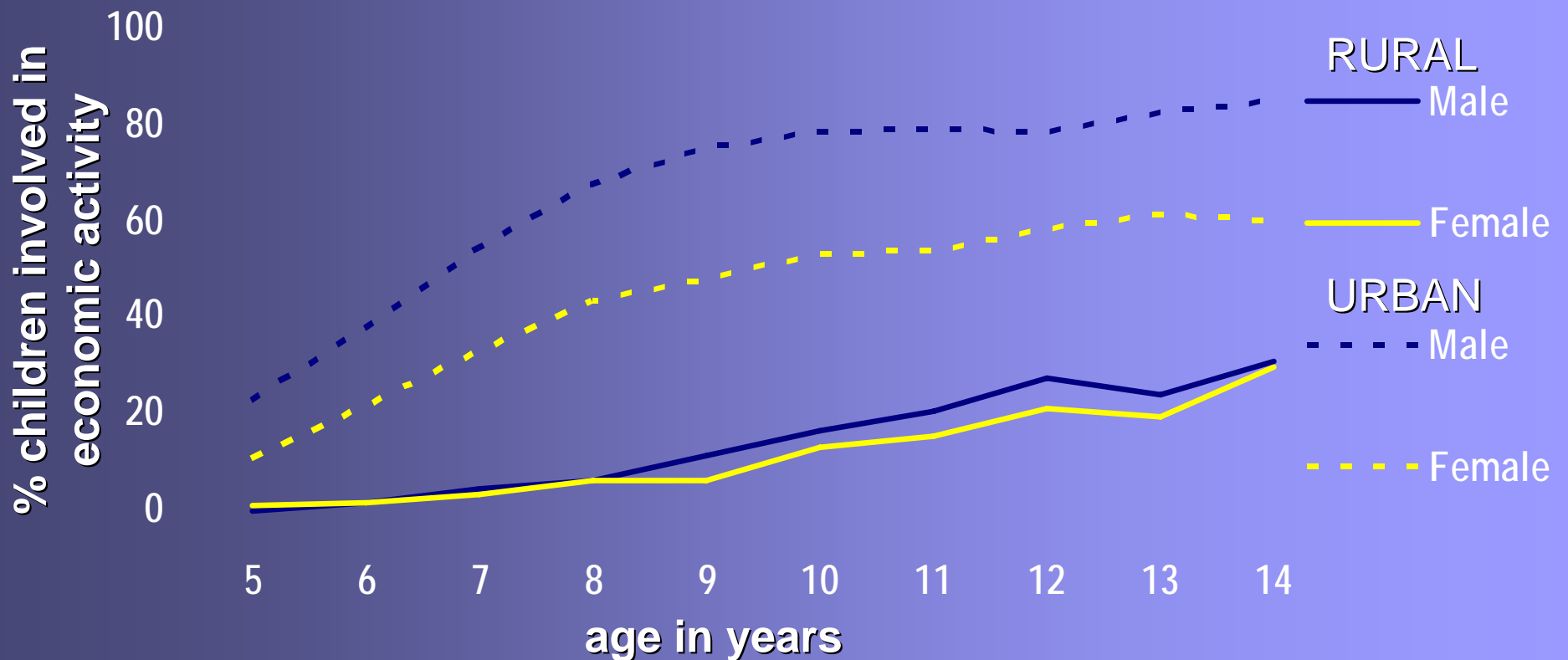
Age Group	(1) Only in work	(2) Only in school	(3) Combining work and school	(4) Neither in school nor in work	Total	in work (1)+(3)	in school (2)+(3)
5-9 years	30,3	15,9	9,1	44,7	100	39,4	25
10-14 years	36,3	25,5	27,1	11,1	100	63,4	52,6
5-14 years	32,9	20,0	16,8	30,3	100	49,7	36,8

Source: UCW calculations based on Ethiopia Labour Force Survey 2001

- the rate of child involvement in economic activity is among the highest in the world;
- children's school enrolment, on the other hand, remains very low, with obvious consequences for human capital accumulation



- children's work is primarily a rural phenomenon in Ethiopia
- differences by sex are large in rural areas but not in urban ones;





Section 2.

LABOUR MARKET STATUS OF ETHIOPIAN YOUNG PEOPLE

Section 2. LABOUR MARKET STATUS OF ETHIOPIAN YOUTH

- youth aged 15-24 years are primarily workers: almost three-fourths of all 15-24 year-olds are employed while less than one-fifth are involved in some form of education or training
- 13 percent of youth are "inactive", i.e., neither in the labour force nor in education, a category which also includes discouraged workers

Table 2. Youth activity breakdown, by age group

Age Group	(1) Only in employment	(2) Only in education	(3) Combining education and employment	(4) Unemployed	(5) Inactive	In labour force (1)+(3)+(4)	Employed (1)+(3)	In education (2)+(3)	Jobless (4)+(5)
15-17 years	42,4	20,8	26,1	2,2	8,5	70,7	68,4	46,9	10,7
18-19 years	68,1	12,1		68,1	14,0	73,9	68,1	12,1	19,8
20-24 years	74,6	4,3	--	6,0	15,1	80,6	74,7	4,3*	21,0
15-24 years	63,7	11,02	7,4	4,9	13,0	76,0	71,2	18,46	17,8

Source: UCW calculations based on Labour Force Survey 2001 *

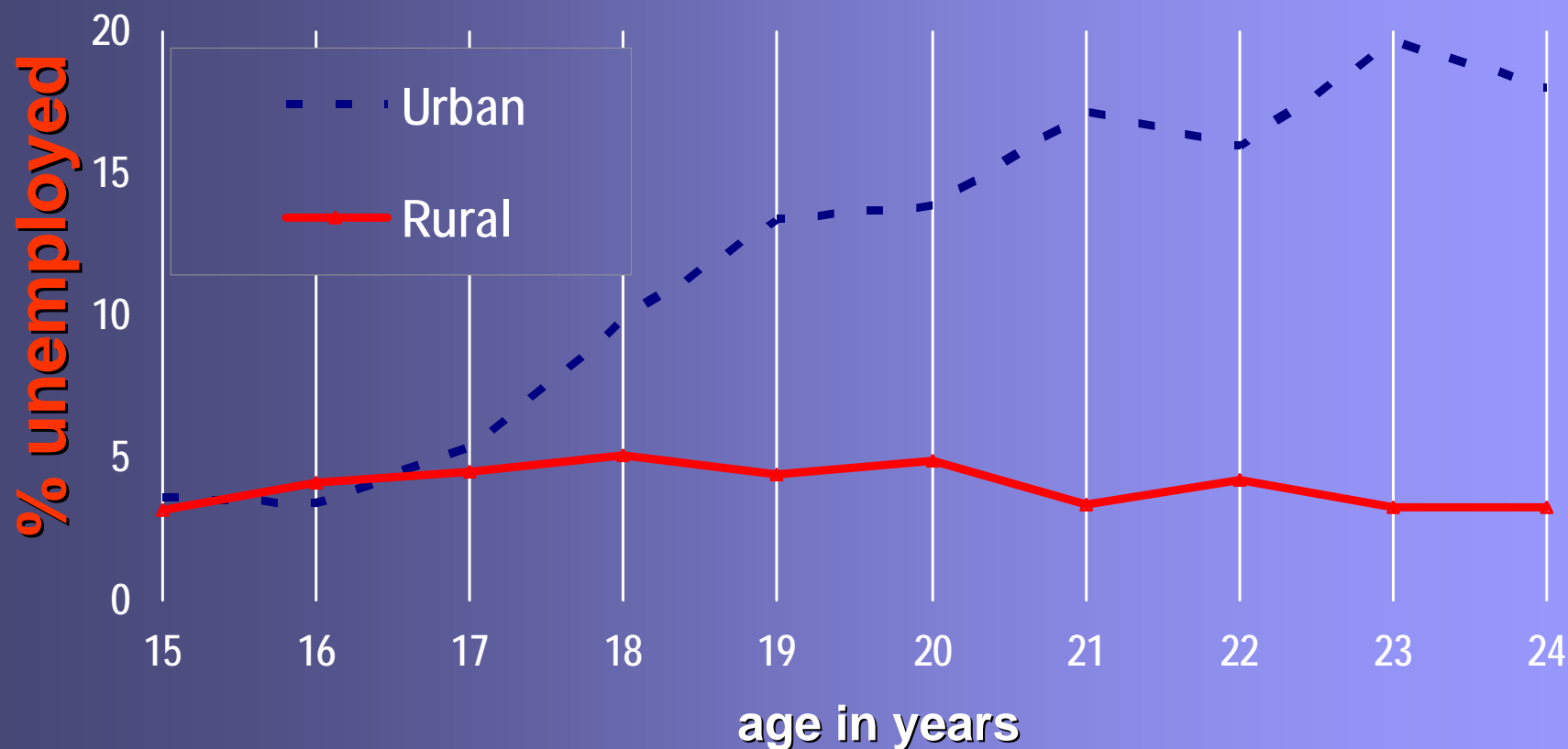
- levels of measured unemployment are relatively low among Ethiopian young people - 6.4% of 15-24 year-olds in the labour force is unemployed
- youth living in cities and towns are much more likely to be unemployed than rural youth, underscoring the different nature of the urban and rural job markets

Table 3. Youth unemployment, inactivity and jobless indicators, by sex and residence

Background characteristics		Unemployment ratio	Unemployment rate	Inactivity ⁽¹⁾	Joblessness ⁽¹⁾
Total		4.9	6.4	13.0	17.8
Sex	Male	3.4	4.0	3.2	6.7
	Female	6.1	8.9	21.5	27.6
Residence	Urban	9.7	18.6	11.7	21.4
	Rural	3.7	4.6	13.2	17.0

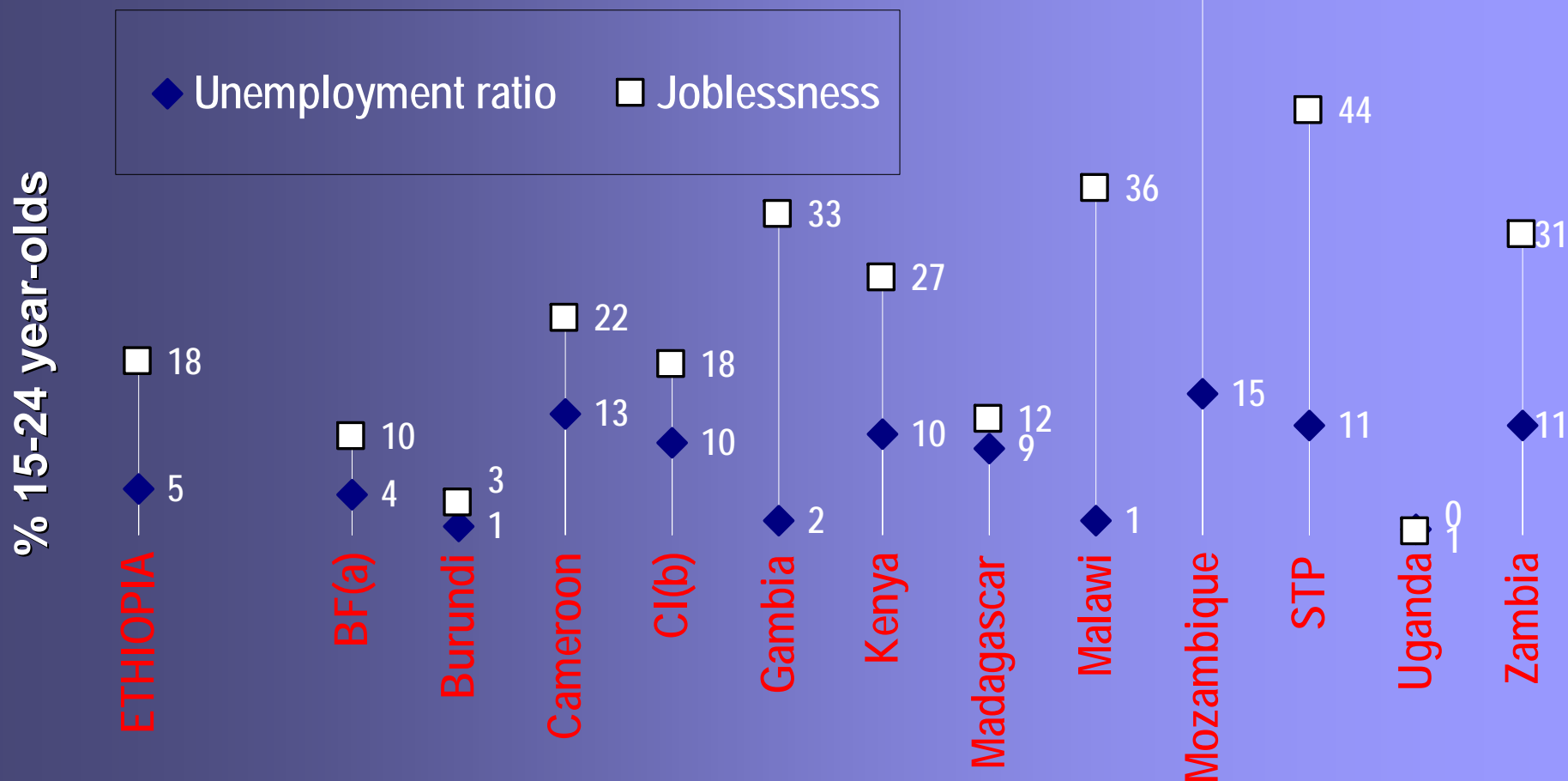
Source: UCW calculations based on Ethiopia Labour Force Survey 2001

- Differences in unemployment levels begin to emerge at age 17 and peak at age 23, when 20 percent of urban youth are unable to find work against only 3 percent of their rural counterparts

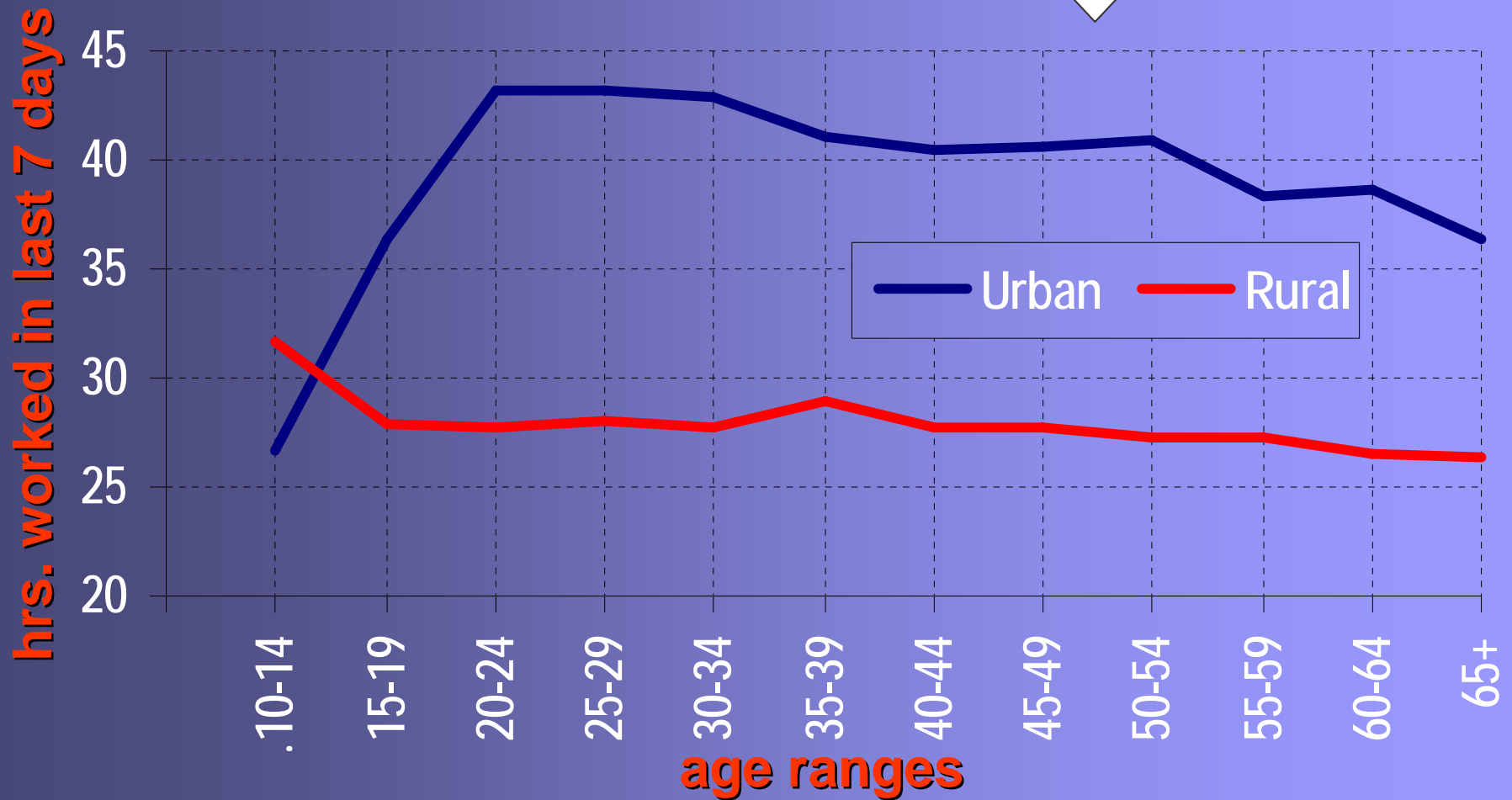


Section 2. LABOUR MARKET STATUS OF ETHIOPIAN YOUTH

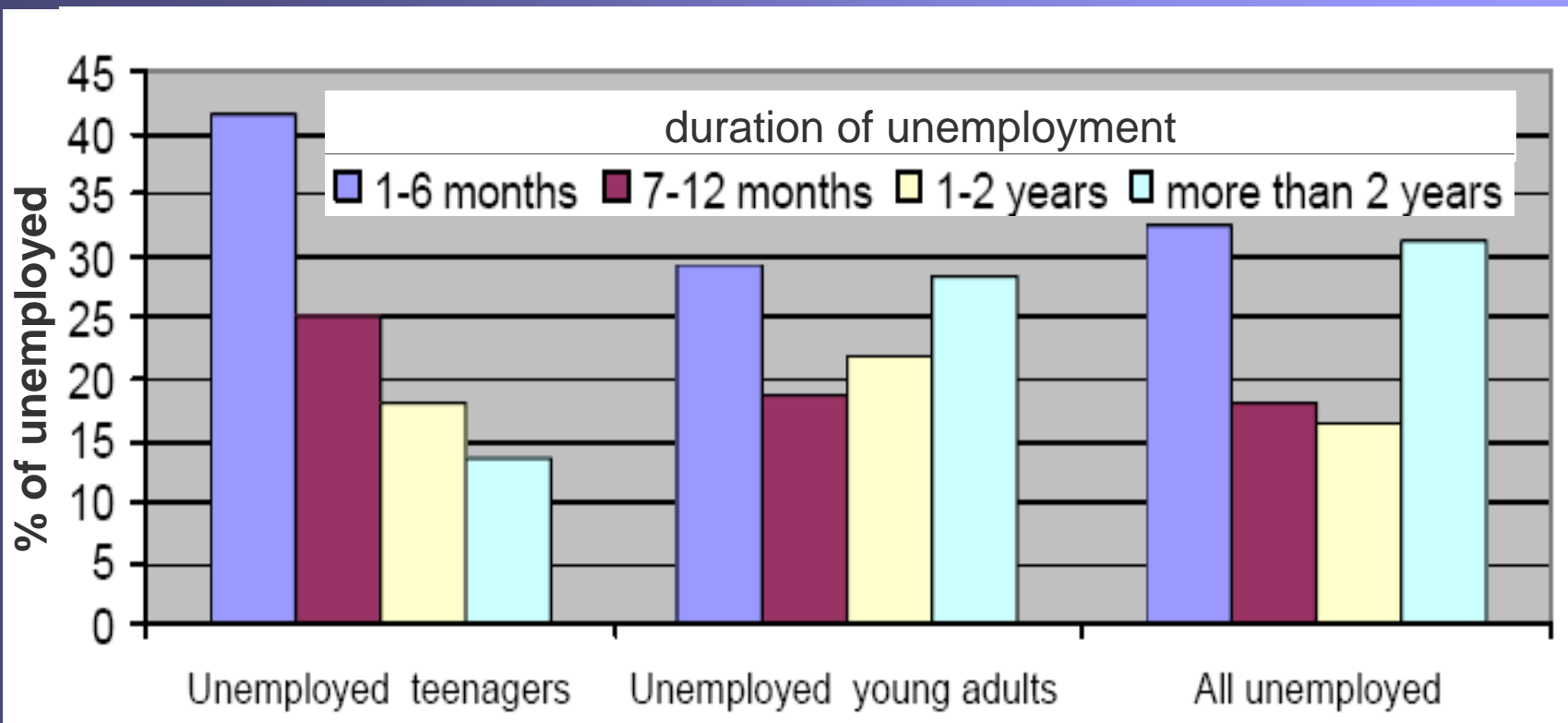
- Ethiopia places in the middle range of countries in the SSA region in terms of youth unemployment and joblessness



- data on hours worked suggest that youth *underemployment* may be more prevalent in rural areas



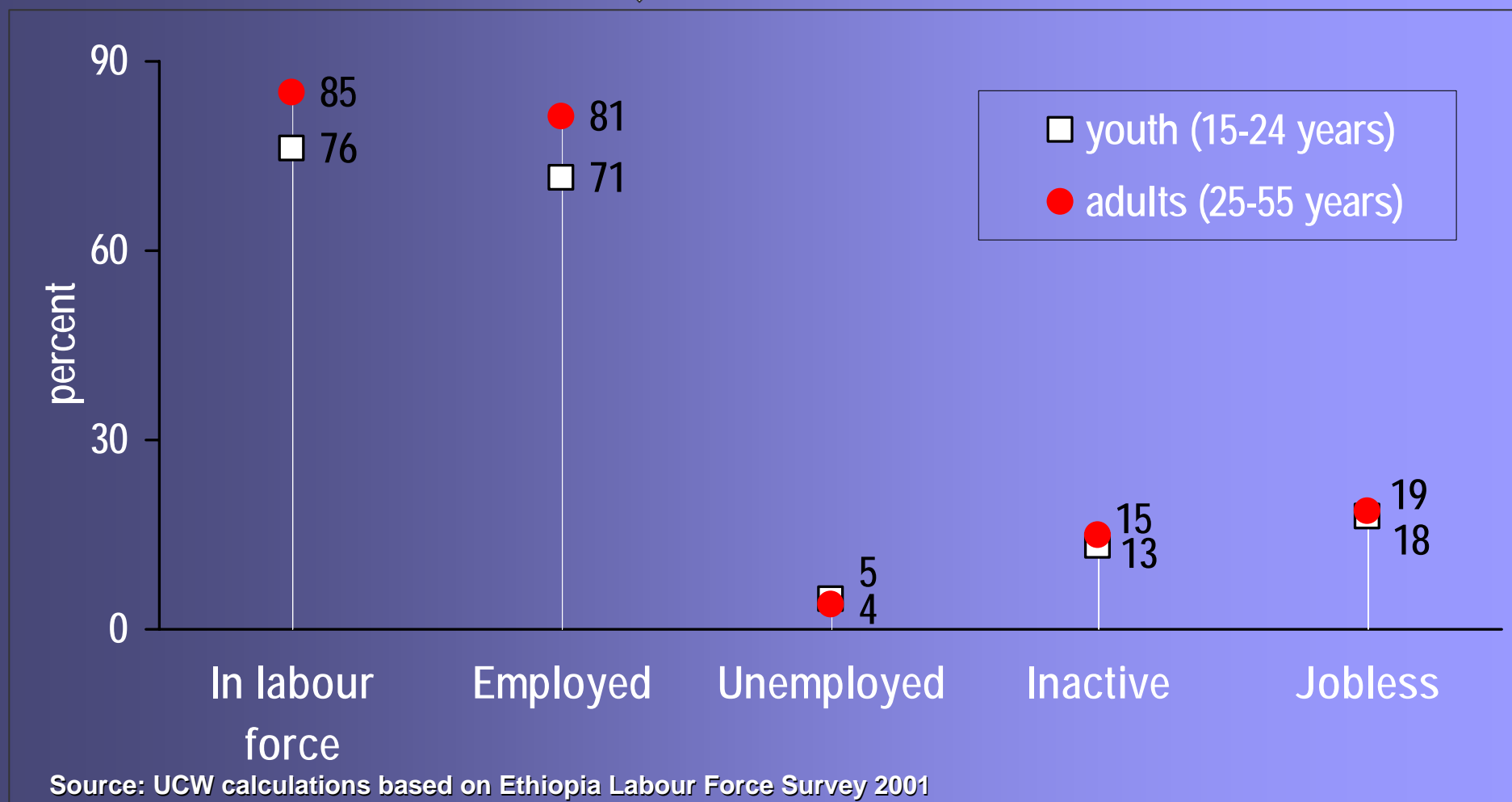
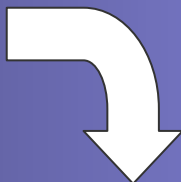
- evidence suggests that much of urban youth unemployment is structural rather than transitory in nature
- in addition, the share of youth with very long spells of unemployment increases with age



Source: 2003 Urban Biannual Employment Unemployment Survey (UBEUS),

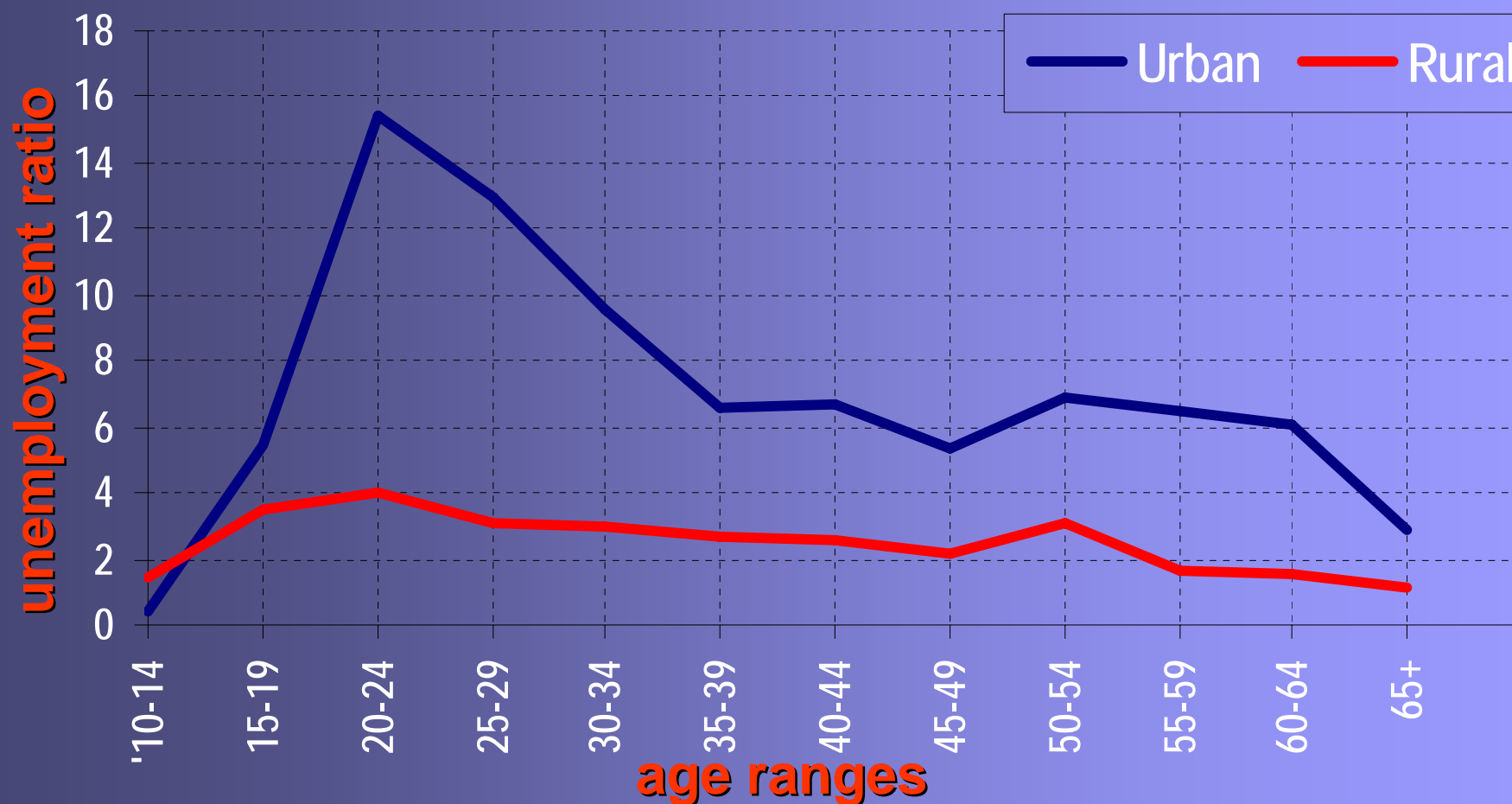
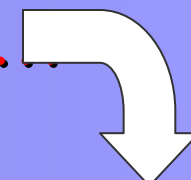
Section 2. LABOUR MARKET STATUS OF ETHIOPIAN YOUTH

- differences between adult and youth labour market status are generally small



Section 2. LABOUR MARKET STATUS OF ETHIOPIAN YOUTH

- the picture changes somewhat, however, when the rural and urban labour markets are looked at separately.



Source: UCW calculations based on Ethiopia Labour Force Survey 2001

• Table 4. Differences in youth and adult employment characteristics

Residence	Age group	Work modality ^(a)				Sector ^(b)			Ave. weekly working hours
		Domestic employee	Wage employee	Self employed	Unpaid family worker	Agric.	Manufact.	Services ^(c)	
Urban	15-24	14.6	25.7	31.4	25.1	12.0	16.1	51.8	39.5
	25-55	3.2	43.1	47.0	5.9	7.0	16.6	63.7	41.6
Rural	15-24	0.5	5.5	19.1	74.5	90.0	2.3	6.7	27.7
	25-55	0.2	4.1	63.7	31.8	91.8	2.0	5.6	27.9

Source: UCW calculations based on Labour Force Survey 2001



- **young workers are much more concentrated in unpaid work, and less concentrated in self employment**
- **urban young people are much less likely to succeed in securing waged employment than adults**
- **working hours differ little between youth and adult workers**



Section 3.

TRANSITIONS TO WORK

A. TRANSITIONS FROM SCHOOL TO WORK

- the average ages of school leaving and job entry (calculated on the basis of estimated probabilities) indicate that the transition from school to work begins at a very late age (19,4 years) and is relatively long in duration (4 years)

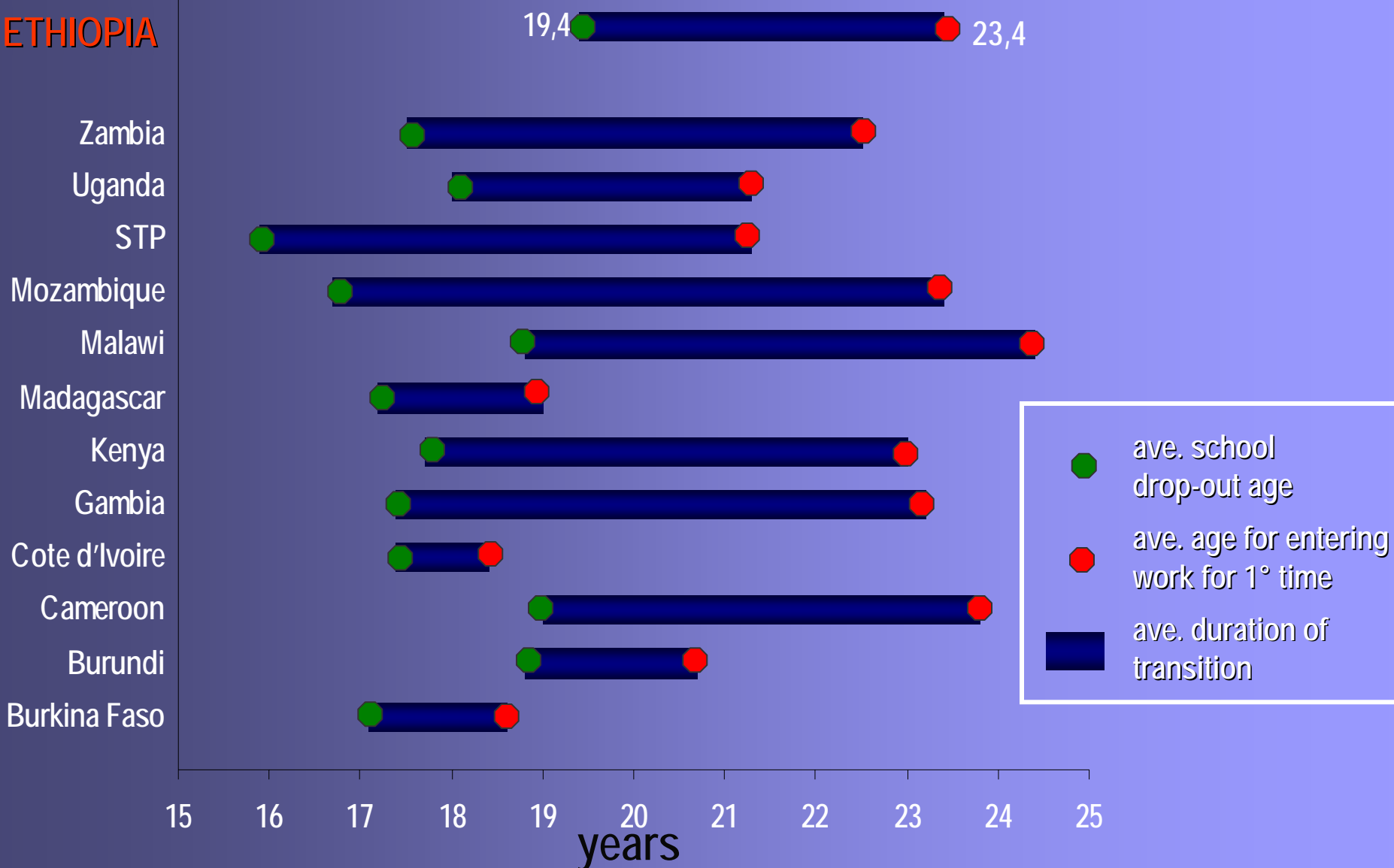
• Table 4. School to work transition points⁽¹⁾

	Children ever in school				
	Beginning point of transition	End point of transition	Transition duration		
	average age of dropping out	Average age of entering into work for the first time			
years	19,4	23,42	4,02		

Notes: (1) Estimated probabilities calculated on the basis of the age at which work participation rate is at its maximum
 Source: UCW calculations based Ethiopia Labour Force Survey 2000

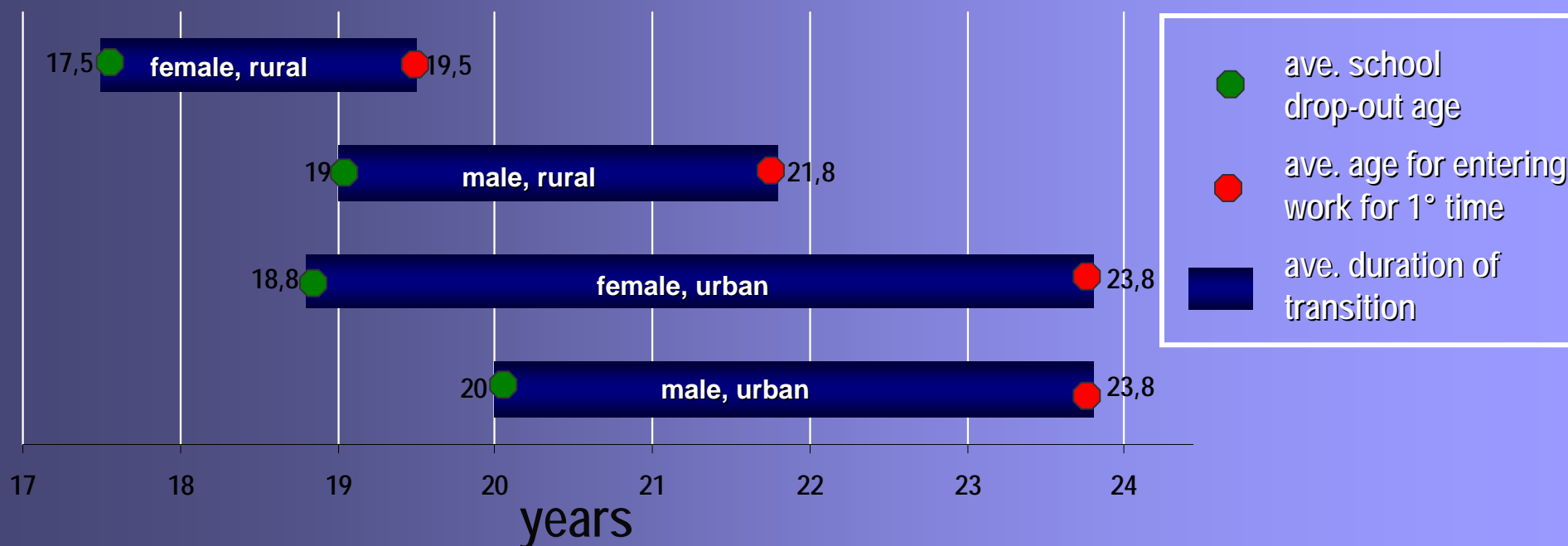
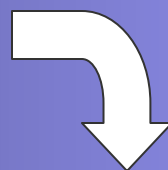
- this can be seen more clearly by looking at the transition in Ethiopia with the context of the SSA region as a whole...

ETHIOPIA



Source: UCW calculations based Ethiopia Labour Force Survey 2001 and World Bank Standard Files and Standard Indicators (SFSI) datasets

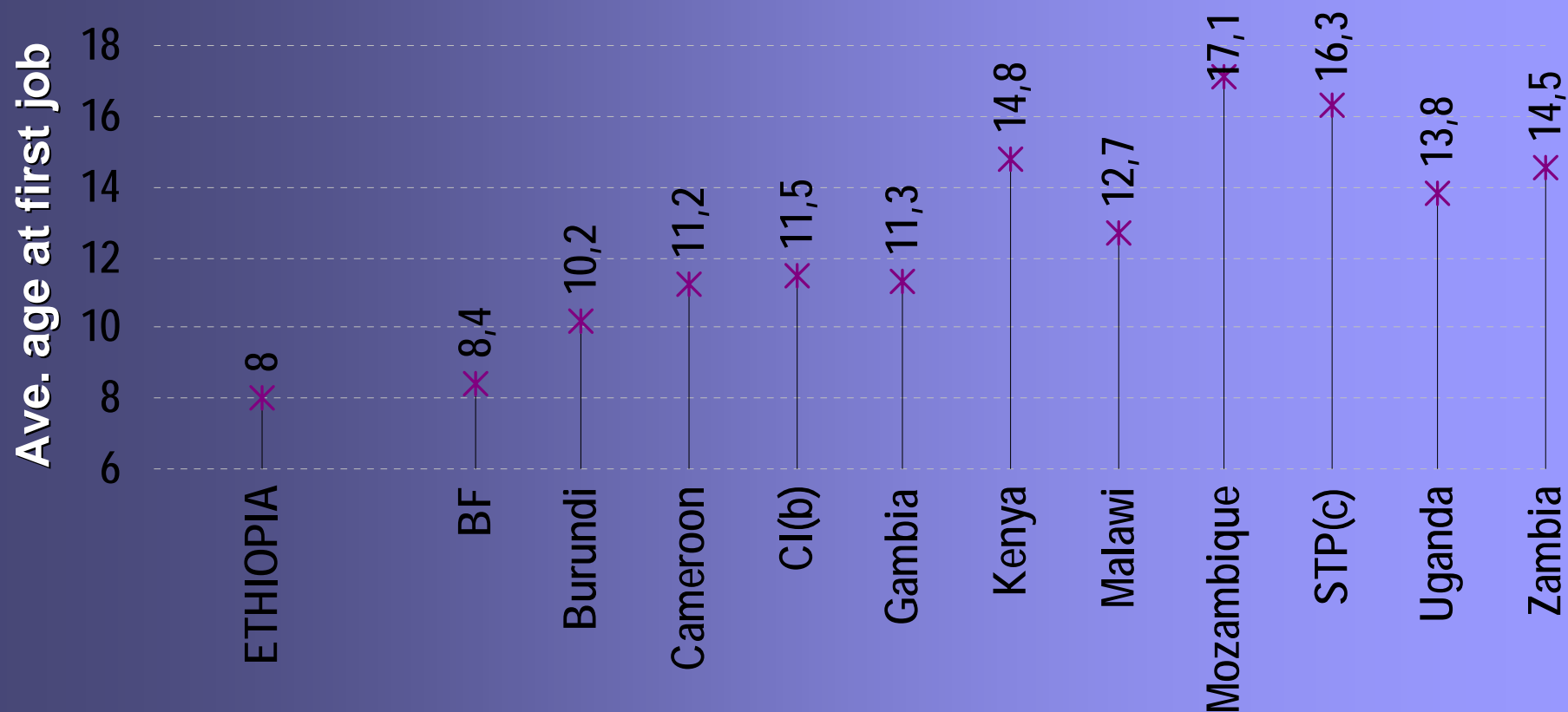
- the characteristics of the transition appear to depend significantly on both residence and sex, and on the interaction between the two



Source: UCW calculations based on Ethiopia Labour Force Survey 2001

B. TRANSITIONS DIRECTLY TO WORK

- the majority of Ethiopian 15-24 year-olds never enter school, transiting instead directly from inactivity to the labour force
- average age at first job for this group, at 8 years, is low relative to other SSA countries



Source: UCW calculations based on Ethiopia Labour Force Survey 2001



Section 4.

HUMAN CAPITAL AND YOUTH LABOUR MARKET OUTCOMES

- human capital levels among Ethiopian youth are very low: 61% of has never entered school force and an additional 16% has only primary education
- difference by residence in educational attainment, however, are very large

Table 6. School attainment levels, by residence

Age group	Highest education level attained	Urban	Rural	Total
		%	%	%
15-24	no schooling	15,7	71,9	61,4
	primary or less	12,1	16,9	16,0
	not completed lower secondary	24,0	8,7	11,6
	completed lower secondary	13,3	1,2	3,4
	higher education	34,9	1,3	7,5

Source: UCW calculations based on Labour Force Survey 2001

■ **More educated youth has higher unemployment rates**

Age group	Highest education level attained	Employment status		
		Employed	Unemployed	Inactive
20-24 years	No schooling	78,1	4,2	17,7
	primary or less	85,6	4,9	9,5
	lower secondary not completed	78,0	7,9	14,0
	lower secondary completed	73,6	12,7	13,7
	higher education	64,7	22,7	12,6
25-55 years	No schooling	79,6	3,3	17,1
	primary or less	89,4	2,3	8,2
	lower secondary not completed	86,0	4,6	9,5
	lower secondary completed	83,8	6,6	9,6
	higher education	82,5	9,5	8,0

Determinants (correlates) of employments

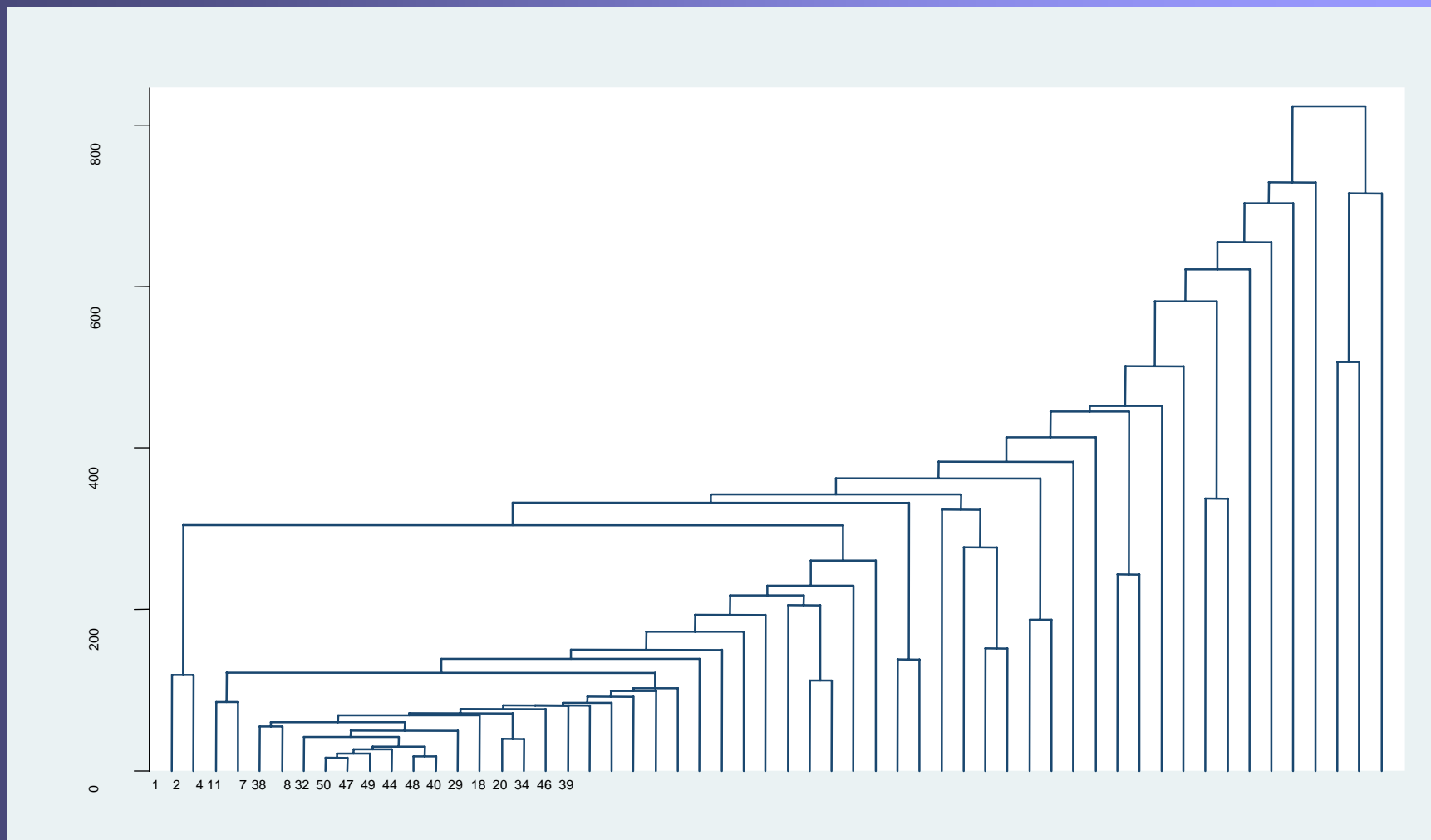
- Estimates of employment probability by level of education
- Few explanatory variables: Gender, Proxies for wealth, Local labour market measures
- Selection problems: Linear probability models with generalized Heckman correction (Bouguignon et al.)
- Instruments: Household Structure
- Results similar to probit

Determinants (correlates) of employments II

LOCAL LABOUR MARKET MEASURES

- State level
- Cluster analysis based on flows of migration across zones
- Zones

Dendrogram - Cluster analysis



Source: UCW calculations based on Ethiopia Labour Force Survey 2001

Main results I

- Differences by area and by level of education
- Large gender differences (Female between 22 and 14 per cent less likely to be in employment)
- Income/wealth are important for the less educated youth. Credit rationing/social network. Weak.

Main results II

- Substantial influence of the local labour market conditions in urban areas for less educated youth (especially never attended school)
- Similar effects in rural areas, but more attenuated (presence of agricultural self/under employment).
- Results are consistent across local labour market definitions



Conclusion and policy issues I

Dual labour market

In rural areas, where the large majority of population resides, young people enjoy low unemployment, relatively easy transition from school to work and almost no disadvantage with respect to adults in the labour force. On the other hand, rural youth start to work at very early ages, endowed with extremely low level of human capital, and face underemployment in largely subsistence farming, low incomes and few chances to be employed in the formal sector of the economy.

Conclusion and policy issues II

Dual labour market

In urban areas, youth face better prospects in terms of income and employment quality, but difficulties in finding a job. The urban youth unemployment rate is larger than the adult one and the chances of getting into wage employment are lower with respect to the adults.

Transition from school to work is long and higher levels of education are associated with higher unemployment. In short, the functioning of the labour market, where it exists as in urban areas, seems to put youth at a disadvantage.

Conclusion and policy issues III

Main Policy issues.

- Information gap. A lot of information, not so informative
- The very high levels of child labour and associated very low levels of school attainment, both influencing patterns of employment (unemployment), job quality and remuneration later in life call for increased efforts in addressing the access and quality of education, influencing parents' decisions (incentive schemes, opportunity costs, etc.)

Conclusion and policy issues IV

The large number of youth already in the labour market with very low human capital. Even if the general enrolment situation improves, the current generation of young people will have few chances to see a real change in their circumstances. Further investment in special training and skill formation activities is therefore needed in parallel with broader education expansion efforts, to improve the employment prospects of this “stock” of low or uneducated youth.

Conclusion and policy issues V

- The minority of (primarily urban) youth relatively well equipped with human capital face specific but not dramatic problems in terms of unemployment. There is not at present enough information to identify the causes and characteristics of this phenomenon
- Is this symptomatic of a non well working labour market?
- The phenomena is small (relative to the other problems of the labour market), but can have spill over in terms of incentives or expectations

Conclusion and policy issues VI

- The impact of low skill levels and the likely impact of credit rationing on youth labour force outcomes underscore the relevance of the Government's Micro and Small Enterprise Development and Micro Finance strategies. Unfortunately, there is not information available to assess the impact of such strategies. Again, it would be an important priority to fill these gaps.

Conclusion and policy issues VII

- The strong role that labour market stance plays in determining the probability of employment indicates that macroeconomic growth is crucial to youth employment and that the youth situation hinges to a large extent on the success of general national development policies. The fact that labour market effects are particularly strong for the less educated labour force points to the special vulnerability of these groups and to the need to introduce risk reduction policies

• Table 7. Probability of employment by level of education, youth aged 10-24 years, probit estimates using the region-wide definition of local labour market

(a) URBAN

variable	Never attended school		Primary or less		Not completed lower secondary		Lower secondary completed		Higher Education	
	dy/dx	z	dy/dx	z	dy/dx	z	dy/dx	z	dy/dx	z
age	0.1409	6.51	0.0622	1.97	-0.0184	-0.38	0.1632	1.39	-0.0791	-0.64
age2	-0.0038	-6.08	-0.0018	-1.9	0.0003	0.25	-0.0041	-1.45	0.0022	0.75
female*	-0.1493	-3.62	-0.2036	-4.08	-0.2224	-5.8	-0.1818	-4.21	-0.1411	-10.73
hhsz1	-0.0040	-0.93	-0.0105	-1.73	-0.0103	-1.94	0.0069	1.04	-0.0097	-2.85
own_ho~e*	-0.0049	-0.19	0.0476	0.91	0.0025	0.09	0.0227	0.91	0.0065	0.39
exp1*	-0.3834	-4.51	-0.4583	-7.17	-0.2693	-3.56	-0.0785	-0.97	-0.1377	-1.78
exp2*	-0.3801	-5.49	-0.3963	-8.32	-0.2207	-3.92	-0.0041	-0.05	-0.0727	-1.62
exp3*	-0.1945	-2.11	-0.3244	-5.63	-0.2357	-3.73	-0.0533	-0.6	-0.0672	-1.87
exp4*	-0.0671	-0.91	-0.2178	-4.35	-0.0987	-1.4	0.1010	1.13	-0.0711	-1.14
empl_t~p	2.3418	2.71	1.3490	5.4	1.3697	7.26	1.7341	4.69	1.0234	2.83
share_~p	-5.2088	-2.53	-3.0692	-5.24	-1.6528	-2.28	-1.9929	-2.43	0.4631	0.48

Source: UCW calculations based on Ethiopia Labour Force Survey 2001

• Table 7. Probability of employment by level of education, youth aged 10-24 years, probit estimates using the region-wide definition of local labour market

(b) RURAL

variable	Never attended school		Primary or less		Not completed lower secondary		Lower secondary completed		Higher Education	
	dy/dx	z	dy/dx	z	dy/dx	z	dy/dx	z	dy/dx	z
age	0.0314	2.74	0.0290	2.38	0.0649	1.57	-0.2079	-1.3	0.0697	0.26
age2	-0.0008	-2.65	-0.0007	-2.13	-0.0017	-1.6	0.0052	1.25	-0.0009	-0.14
female*	-0.2513	-15.32	-0.2041	-7.54	-0.1783	-5.3	-0.1284	-2.63	-0.1642	-2.56
hhsz1	0.0006	0.29	0.0003	0.11	0.0005	0.16	0.0044	0.58	-0.0016	-0.26
own_ho~e*	0.0636	1.63	0.0282	0.82	0.1345	2.45	0.1457	2.19	-0.0515	-0.65
exp1*	-0.0349	-0.22	-0.0829	-0.99	-0.0650	-1.08	-0.1814	-2.4	0.1865	11.2
exp2*	-0.0331	-0.22	-0.0766	-1.23	-0.0893	-1.55	-0.0206	-0.69	0.3717	7.94
exp3*	0.0003	0	-0.0528	-0.63	-0.1340	-1.17	-0.0358	-0.87	0.1606	4.53
exp4*	0.0060	0.05							0.1689	5.8
empl_t~p	0.6400	2.14	0.3376	2.33	0.4533	2.53	1.4439	4.88	0.2242	0.52
share_~p	0.8467	1.25	0.4590	1.12	-0.2614	-0.79	-1.7349	-2.16	0.8189	0.61

Source: UCW calculations based on Ethiopia Labour Force Survey 2001

Table 8. Probability of employment by level of education, youth aged 10-24 years, probit estimates obtained with indicators of local labour market separated for rural and urban areas

(a) URBAN

variable	Never attended school		Primary or less		Not completed lower secondary		Lower secondary completed		Higher Education	
	dy/dx	z	dy/dx	z	dy/dx	z	dy/dx	z	dy/dx	z
age	0.141	6.5	0.061	1.89	-0.021	-0.44	0.158	1.33	-0.075	-0.6
age2	-0.004	-6.05	-0.002	-1.81	0.000	0.3	-0.004	-1.4	0.002	0.72
female*	-0.155	-3.88	-0.205	-4.08	-0.225	-5.83	-0.182	-4.24	-0.142	-11.02
hhsz1	-0.001	-0.3	-0.009	-1.53	-0.010	-2.07	0.007	1.03	-0.011	-2.65
own_ho~e*	-0.009	-0.43	0.044	0.83	-0.001	-0.03	0.023	0.88	0.007	0.4
exp1*	-0.401	-4.31	-0.457	-7.1	-0.274	-3.58	-0.066	-0.79	-0.144	-1.83
exp2*	-0.396	-5.21	-0.395	-8.19	-0.223	-3.96	0.006	0.07	-0.080	-1.78
exp3*	-0.215	-2.13	-0.329	-5.49	-0.239	-3.84	-0.046	-0.53	-0.072	-1.96
exp4*	-0.084	-1.05	-0.219	-4.43	-0.100	-1.45	0.103	1.15	-0.074	-1.21
empl_t~p	1.918	2.85	0.993	3.91	1.312	10.35	1.503	3.63	1.436	3.32
share_~p	-1.896	-2.54	-1.292	-2.89	-0.126	-0.41	-0.104	-0.25	0.994	1.28

Source: UCW calculations based on Ethiopia Labour Force Survey 2001

Table 8. Probability of employment by level of education, youth aged 10-24 years, probit estimates obtained with indicators of local labour market separated for rural and urban areas

(b) RURAL

variable	Never attended school		Primary or less		Not completed lower secondary		Lower secondary completed		Higher Education	
	dy/dx	z	dy/dx	z	dy/dx	z	dy/dx	z	dy/dx	z
age	-0.075	-0.60	0.029	2.30	0.060	1.43	-0.199	-1.03	0.070	0.26
age2	0.002	0.72	-0.001	-2.06	-0.002	-1.46	0.005	1.00	-0.001	-0.14
female*	-0.142	-11.02	-0.205	-8.05	-0.179	-6.08	-0.105	-2.73	-0.164	-2.51
hhsz1	-0.011	-2.65	0.001	0.17	0.000	0.15	0.006	0.72	-0.002	-0.27
own_ho~e*	0.007	0.40	0.030	0.87	0.134	2.34	0.227	2.36	-0.053	-0.68
exp1*	-0.144	-1.83	-0.085	-1.04	-0.058	-0.97	-0.108	-1.80	0.187	10.81
exp2*	-0.080	-1.78	-0.078	-1.29	-0.084	-1.45	0.011	0.27	0.373	7.36
exp3*	-0.072	-1.96	-0.054	-0.65	-0.127	-1.11	-0.007	-0.13	0.162	4.54
exp4*	-0.074	-1.21	--	--	--	--	--	--	0.169	5.68
empl_t~p	1.436	3.32	0.441	4.73	0.866	8.05	0.398	0.65	0.257	0.48
share_~p	0.994	1.28	0.353	2.57	-0.848	-6.06	1.305	1.05	0.600	0.76

Source: UCW calculations based on Ethiopia Labour Force Survey 2001

• **Table 9. Marginal effects of control variables on the probability of being in work, by residence**

Variable	Urban		Rural	
	dy/dx	z	dy/dx	z
Age	0.09	7.00	0.040199	4.17
age2	-0.00144	-3.98	-0.00079	-3.53
female*	-0.07706	-5.42	-0.23647	-13.8
hhsz1	-0.00263	-1.14	-0.00252	-1.18
own_ho~e*	-0.002	-0.14	0.09392	3.11
exp1*	-0.07006	-1.71	-0.02886	-0.47
exp2*	-0.0604	-2.25	-0.00836	-0.14
exp3*	-0.07248	-3.21	0.024316	0.44
exp4*	-0.07852	-4.94	0.037959	0.71
empl_t~p	1.183862	5.73	1.209995	4.5
share_~p	-0.74849	-2.43	0.028643	0.05
educ2*	-0.12439	-9.35	-0.10704	-9.06
educ3*	-0.20846	-10.49	-0.14937	-6.73
educ4*	-0.24403	-13.07	-0.20736	-4.3
educ5*	-0.31417	-12.91	-0.29942	-7.66
training*	0.256015	10.72	0.134273	4.3

Source: UCW calculations based on Ethiopia Labour Force Survey 2000

• **Table 10. ATT estimation with nearest neighbour matching method (random draw version), analytical standard errors**

Residence	n. treat.	n. contr.	ATT	Std. Err.	t
Urban	8073	150916	0.248	0.007	37.481
Rural	8073	148215	0.197	0.014	14.148

Note: the numbers of treated and controls refer to actual nearest neighbour matches
Source: UCW calculations based on Ethiopia Labour Force Survey 2000