Youth Unemployment and Entrepreneurship in Ethiopia: Evidence from Dire Dawa and Addis Ababa

Editor’s Notes
The research article featured below is based from the study of the Community-Based Monitoring System (CBMS) Project Team composed of project leader Abel Tewolde and researchers Christian Feleke, Kassahun Mamo, Hayat Fentaw, and Senayit Siyoum in Ethiopia.

As the country of Ethiopia continues to experience a sustained increase in birth rate, it remains as one of the fastest growing countries in the world. A large share of its population is now composed of children and young adults. Two-thirds of the population are under 25 years old and more than half are women.

With this surge in population, majority of the youth may not be absorbed by the formal economy. It is highly likely that there may not be enough work opportunities for the new workforce. This also increases the chances of youths engaging in the informal sector.

At present, youth unemployment is an ongoing problem in Ethiopia. Majority of the people below 25 years old who want to work are not able to find jobs. Around 35 percent of these people have been in this state for more than a year now. In the urban area, 6 percent of the 15- to 19-year-olds, 18 percent of the 20- to 24-year-olds, and 11 percent of the 15- to 24-year-olds are unemployed.

The study findings reveal that around 80 percent of Ethiopia’s overall labor force are engaged in subsistence farming.

Inside

- Training Workshop on CBMS Data Collection Conducted in Atebubu, Ghana
- CBMS-Uganda Team Conducts Data Collection in Katakwi District, Uganda
- CBMS Project Team in Botswana Finishes Training and Data Collection in Kweneng District, Botswana
- Research Teams Present CBMS-Based Local SDG Reports in 2018 PEP Conference
The country has 31 public universities which continue to produce workplace-ready graduates. However, not many job opportunities are available in the labor market. Around 80 percent of Ethiopia’s labor force is engaged in subsistence farming, which leaves little to no surplus for sale in order to generate more income. Meanwhile, 68 percent of the employed youth are unpaid family workers.

Faced with these challenges, the Ethiopian government has therefore established two of its main priorities which include promoting a more inclusive working environment for the youth and enhancing the conditions of the youth in the labor market.

Aside from creating more jobs for the youth, one other solution is to encourage the youth to engage in entrepreneurial activities or set up their own businesses.

**Table 1. Youth Employment Status in Wereda 10, Kebele 01, and Gedenser**

<table>
<thead>
<tr>
<th>Site</th>
<th>Employed Male</th>
<th>Employed Female</th>
<th>Employed Overall</th>
<th>Unemployed Male</th>
<th>Unemployed Female</th>
<th>Unemployed Overall</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wereda 10 (Urban)</td>
<td>41.5</td>
<td>58.5</td>
<td>54.5</td>
<td>49.5</td>
<td>50.5</td>
<td>10.1</td>
</tr>
<tr>
<td>Kebele 01 (Urban)</td>
<td>10.0</td>
<td>90.0</td>
<td>6.9</td>
<td>58.3</td>
<td>41.7</td>
<td>12.9</td>
</tr>
<tr>
<td>Gedenser (Rural)</td>
<td>46.1</td>
<td>53.9</td>
<td>17.0</td>
<td>63.9</td>
<td>36.1</td>
<td>20.3</td>
</tr>
<tr>
<td>Total</td>
<td>41.7</td>
<td>58.3</td>
<td>34.2</td>
<td>56.5</td>
<td>43.5</td>
<td>11.4</td>
</tr>
</tbody>
</table>

Source: CBMS Census in Wereda 10, Kebele 01, and Gedenser (2015)

A CBMS study in Ethiopia analyzes the factors affecting youth’s employment and entrepreneurship

By implementing a community-based monitoring system (CBMS) in the rural site (Gedenser, Dire Dawa) and the urban sites (Kebele 01, Dire Dawa and Wereda 10, Addis Ababa), the local research team pilot tested the use of the CBMS Accelerated Poverty Profiling (APP). The system enables districts to collect and generate local level data on the different dimensions of poverty. The household level data gathered can also provide policymakers an in-depth analysis of the youth’s employment and entrepreneurship which can help them formulate effective policies and programs in order to address youth unemployment.

The CBMS census covers a total of 5,619 households (20,741 individuals) in Dire Dawa and Addis Ababa. According to the profiles of the two areas, 97 percent of the households are not directly involved in economic production activities. Only 2 percent of the households in Wereda 10 and around 3 percent of the households in Kebele 01 are directly involved in the production process. Meanwhile, 20 percent of the households in Gedenser have direct involvement in the site’s economic production.

**Research Findings**

The CBMS data shows that of the 20,741 people interviewed in the study areas, 17.3 percent are youth.

**Table 2. Self-Employed Youths in Wereda 10, Kebele 01, and Gedenser**

<table>
<thead>
<tr>
<th>Site</th>
<th>Male</th>
<th>Female</th>
<th>Overall</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wereda 10 (Urban)</td>
<td>59.3</td>
<td>40.7</td>
<td>2.9</td>
</tr>
<tr>
<td>Kebele 01 (Urban)</td>
<td>33.3</td>
<td>66.7</td>
<td>0.2</td>
</tr>
<tr>
<td>Gedenser (Rural)</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>58.1</td>
<td>41.9</td>
<td>1.7</td>
</tr>
</tbody>
</table>

Source: CBMS Census in Wereda 10, Kebele 01, and Gedenser (2015)
(ages 15 to 24). There are 2,048 youths in Wereda 10, 1,484 in Kebele 01, and 59 in Gedenser.

In this study, the youths were described as either employed, unemployed, or not ready to work or not actively searching for jobs. Around 34.2 percent of the youth are employed, while 11.4 percent of the youth are unemployed. On the other hand, 54.4 percent of the youth are not ready to work or are not actively searching for jobs.

Among the unemployed youths, there are more males (56.5 percent) than females (43.5 percent). Data shows that the unemployment rates in the urban areas, Wereda 10 and Kebele 01, which stand at 10.1 percent and 12.9 percent, respectively, are not too different from each other, while the unemployment rate in the rural area (Gedenser) stands much higher at 20.3 percent. It appears that unemployment is more prevalent in the rural area than in the urban areas. This could be because there are fewer jobs available to the youth in the rural area compared to the urban areas.

Of the 3,591 youths, only 1.7 percent or 62 are self-employed and are located in urban Wereda 10 and Kebele 01. On the other hand, none of the youths in rural Gedenser are self-employed.

As seen in Figure 1, overall, the main reason why youths have not been able to engage in self-employment is because they lack the capital needed to start their businesses. This is the case for 81.3 percent of the youths in Wereda 10 and 78.6 percent of the youths in Kebele 01. In Gedenser, however, 45.5 percent of the youths are more concerned with their lack of access to the market when engaging in self-employment.

Figure 2, on the other hand, shows the main reasons why youths prefer to be self-employed. Around 53.2 percent stated that being self-employed is better given that there are no employment opportunities in their respective areas. This is followed by 23.7 percent of the youth who engage in self-employment because they need to increase their income.
News Updates

Table 3. Logistic Regression Results

<table>
<thead>
<tr>
<th>Variable Description</th>
<th>Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age of the youth</td>
<td>0.26***</td>
</tr>
<tr>
<td>Sex of the youth</td>
<td>-0.53*</td>
</tr>
<tr>
<td>Educational status of the youth</td>
<td>-0.18***</td>
</tr>
<tr>
<td>Television ownership of the youth's family</td>
<td>0.015</td>
</tr>
<tr>
<td>Radio ownership of the youth's family</td>
<td>0.16</td>
</tr>
<tr>
<td>Telecommunication access of the youth</td>
<td>3.33***</td>
</tr>
<tr>
<td>Newspaper access for the youth</td>
<td>-0.51*</td>
</tr>
<tr>
<td>Equib' membership of the youth</td>
<td>1.18***</td>
</tr>
<tr>
<td>Cooperative membership of the youth</td>
<td>-1.38</td>
</tr>
<tr>
<td>Total asset value of the youth's family</td>
<td>0.0001</td>
</tr>
<tr>
<td>Family size of the youth's family</td>
<td>-0.06</td>
</tr>
<tr>
<td>Technical or vocational training received</td>
<td>-0.404</td>
</tr>
<tr>
<td>Entrepreneurship training received</td>
<td>-0.708</td>
</tr>
<tr>
<td>Constant</td>
<td>-10.9***</td>
</tr>
</tbody>
</table>

*significant at 10%  **significant at 5%  ***significant at 1%

Source: CBMS Census in Wereda 10, Kebele 01, and Gedenser (2015)

In terms of social capital, ‘Equib’ membership plays a positive and significant role (at α=1%) in the youth’s engagement in entrepreneurship. It provides microcredit without collateral requirement and allows people to interact with other entrepreneurs. On the other hand, there is a lower probability for youths to engage in self-employment if they are members of a cooperative (significant at α=10%). This could be because majority of the cooperatives in Ethiopia have very limited human and financial capacities.

Summary and Conclusions

Youth unemployment is one of the main concerns of the Ethiopian government. Although it is prevalent in all of the study areas, it seems to be most prevalent in rural Gedenser (at 20.3 percent). One solution to this problem is to promote youth entrepreneurship. At present, however, there has been very little evidence of self-employment among youths in both rural and urban areas (at 1.6 percent) mainly due to lack of capital. Regression results point out that age, sex, educational attainment, access to telecommunication and newspapers, and membership in ‘Equib’ and cooperatives significantly affect probability of youth entrepreneurship.

Policy Implications and Recommendations

Based on the analysis of the data from the CBMS census in the study sites in Ethiopia, the research team proposes the following policy recommendations to reduce unemployment and promote entrepreneurship among the youth.

In order to help improve the employability and entrepreneurial skills of the youth, the government should focus on improving the implementation of Technical & Vocational Education Training (TVET) in the country. TVET can be improved by offering more programs that meet the needs of youths in the different sectors of the economy and by developing stronger partnerships or collaborations with institutions and employers. Similarly, the education system should be remodeled in order to produce quality and industry-ready graduates.

On the other hand, village level associations should receive more financial and technical support in order for them to improve services which can eventually boost youth self-employment. The Ethiopian financial system should also be enhanced in such a way that youths have easier access to capital. Lastly, youth’s access to communication outlets, particularly, access to market information, should also be improved since this has a positive impact on youth entrepreneurship.

As expected and as seen in Table 3, the age of youth has a significant (at α=1%) and positive relationship with engagement in self-employment since age tends to come with experience and prepares youths for future economic responsibilities. Results also show that being female has a significant correlation (at α=10%) with self-employment, which means that female youths are more likely to engage in self-employment than male youths.

Meanwhile, youths who have higher educational attainment are less likely to become entrepreneurs (significant at α=1%). Higher levels of education are normally taken in preparation for future employment. This result also supports the result in Figure 2 which shows that youths tend to start their own businesses when employment opportunities are not available.

Some of the information access variables have a significant relationship with engagement in entrepreneurship (at α=1% and α=10%, respectively). Youths with access to telecommunication are more likely to engage in entrepreneurship while those with access to newspapers are less likely to engage in entrepreneurship.
Training Workshop on CBMS Data Collection Conducted in Atebubu, Ghana

The Community-Based Monitoring System (CBMS) team in Ghana led by Dr. Wilhemina Quaye is one of the research teams supported under the second phase of the Policy Analysis on Growth and Employment (PAGE II) program by the Partnership for Economic Policy (PEP). The rest of the team is composed of Mavis Afukkobea, Dr. Paul Boadu, and Dr. Adelaide Agyeman.

The team is working on a project entitled “Analysis of gender inequalities and women empowerment: The case of C:AVA Project in Ghana”. The Cassava Adding Value for Africa (C:AVA) Project promotes the use of High Quality Cassava Flour (HQCF) as a raw material in order to increase the incomes of smallholder households. The CBMS research paper aims to analyze how the C:AVA Project affects gender inequalities and women empowerment in Ghana.

In preparation for the CBMS data collection, the CBMS-Ghana team organized a training workshop on February 5-9, 2018 at the World Vision Training Conference Room in Atebubu, Ghana. Twenty enumerators participated in the event.

The five-day workshop started off with an introduction to the PEP project, the objectives of CBMS, the purpose of the research itself and the rationale behind why certain communities were chosen. The event also covered presentations and discussions on the design, methodology, and tools of CBMS. Participants were guided throughout the process of understanding both the household questionnaire and the community questionnaire. The second part of the training included the demonstration of the data collection tablets as well as hands-on exercises. The enumerators were given time to test the tablets in the classroom and on the field and give feedback on how everything went.

The CBMS-Ghana project team proceeded with the actual data collection exercise the following day. Nineteen enumerators were selected for the final data collection which began on February 10, 2018 and ended on March 8, 2018.
CBMS-Uganda Team Conducts Data Collection in Katakwi District, Uganda

Selected under the Policy Analysis on Growth and Employment (PAGE) II initiative of the Partnership for Economic Policy (PEP), the Community-Based Monitoring System (CBMS) project team in Uganda, which is led by Johnson Kagugube and is composed of project researchers Mr. John Nsubuga, Dr. Margaret Banga, Mr. Allan Kyebambe, Ms. Rebecca Ssanyu, Ms. Louise Nampewo, and Ms. Peace Nganwa, is currently working on a project entitled "A Livelihood Approach to Understand Financial Inclusion as Informed by the Community Based Monitoring System (CBMS) Study in Katakwi Subcounty of Katakwi District". The project aims to fill the information gap on the employment strategies of the youth in Uganda through CBMS. The information gathered will aid community leaders, businessmen, and non-profit organizations in formulating more effective plans.

Prior to the CBMS training workshop and the data collection itself, the Development Research and Training (DRT) conducted a pretest in Omodoi sub-county, Katakwi district. Results from the pretest were used to improve the research tools and identify needed resources, both of which will be used for the CBMS training and data collection exercise.

The project team worked closely with the district technical team, particularly, the district community development officer and the acting planner. With the help of the district officers who were able to identify who in the community spoke the dialect fluently, a total of twenty enumerators were trained on March 20-23, 2018 and hired for the data collection exercise.

Following the training period of the enumerators which was carried out by the trainers from DRT, the data collection was conducted from March 25 to April 18, 2018 with the help and supervision from the training team as well as experienced staff at the local and national levels. The district contact persons also participated in the training workshop, data collection exercise, and dissemination of the findings.
CBMS Project Team in Botswana Finishes Training and Data Collection in Kweneng District, Botswana

Selected under the Policy Analysis on Growth and Employment (PAGE) II initiative of the Partnership for Economic Policy (PEP), the Community-Based Monitoring System (CBMS) project team in Botswana, which is led by project leader Professor Happy Siphambe and is composed of project researchers Ms. Mavis Kolobe, Dr. Malebogo Bakwena, Ms. Itumeleng Oageng, Ms. Tshegofatso Motswagae, Dr. Lexi Setlhare, and Dr. Keamogetse Setlhare, is currently working on a project entitled “Determinants of Youth Unemployment and Labour Market Transition in Botswana”.

The project aims to understand the demand and supply gaps in the labor market and identify the causes of youth unemployment in the study area through CBMS. This will help assess and improve the viability of current intervention programs which aim to reduce youth unemployment and promote self-employment.

The project team conducted a training workshop prior to the data collection exercise. The workshop covered presentations on the design and tools of CBMS, a discussion on the contents of the questionnaires, as well as a run-through of the data collection using the tablets.

A total of twenty enumerators and one supervisor were hired for the final data collection exercise which took six weeks.
News Updates

Research Teams Present CBMS-Based Local SDG Reports in 2018 PEP Conference

The use of the Community-Based Monitoring System (CBMS) for localizing the Sustainable Development Goals (SDG) was demonstrated with the presentation of local SDG reports in 7 CBMS country project pilot sites in the recently concluded 2018 PEP Annual Conference held in Bangalore, India.

Reports presented included CBMS-SDG profiles of selected pilot sites in 7 countries including Botswana, Ethiopia, Ghana, Kenya, Nicaragua, Togo, and Uganda. The CBMS-SDG reports were produced as part of the research outputs of CBMS partner institutions in these countries under the ongoing PAGE II research program of the Partnership for Economic Policy (PEP) with technical support from the CBMS Network Office of the De La Salle University-Angelo King Institute for Economic and Business Studies (DLSU-AKI) Manila.

The CBMS-SDG session is among the highlights of this year’s PEP annual general meeting which provided avenue for discussion of further refining the reports in preparation for the forthcoming local dissemination activities of the Project Teams in each country. Aside from the SDG reports, the PAGE II-CBMS project teams also presented their updated methodologies for analysis on their use of CBMS data for examining specific thematic issues on financial inclusion and entrepreneurship, youth unemployment, women empowerment, and on gender disparities in agricultural investments and labor productivity in the context of rural poverty reduction.

Among the international panel of Resource Persons who provided comments and recommendations on the SDG reports and on the thematic studies of the Project Teams are Poverty Expert Dr. Nanak Kakwani, Gender advisor Ms. Nancy Spence, Dr. Felix Ankomah Asante, Director of Institute of Statistical, Social and Economic Research (ISSER) Ghana, and Dr. Sudarno Sumarto, Policy Adviser, National Team for the Acceleration of Poverty Reduction (TNP2K), and Senior Fellow at SMERU Research Institute, Indonesia.

Also present during the conference was Mr. Sacré-Nestor Kokou Waniko, Economist from Ministère du Plan Direction Générale du Plan, and Technical Secretary of the Steering Committee of the National Report on Sustainable Human Development in Togo. Mr. Waniko noted in his presentation how CBMS can complement ongoing national government initiatives particularly in Togo for monitoring the achievement of the SDGs.

The CBMS Session of the 2018 PEP Annual Conference was conducted and organized by the CBMS Network Office of the DLSU-AKI Manila in partnership with the PEP Global Secretariat Office-Kenya.