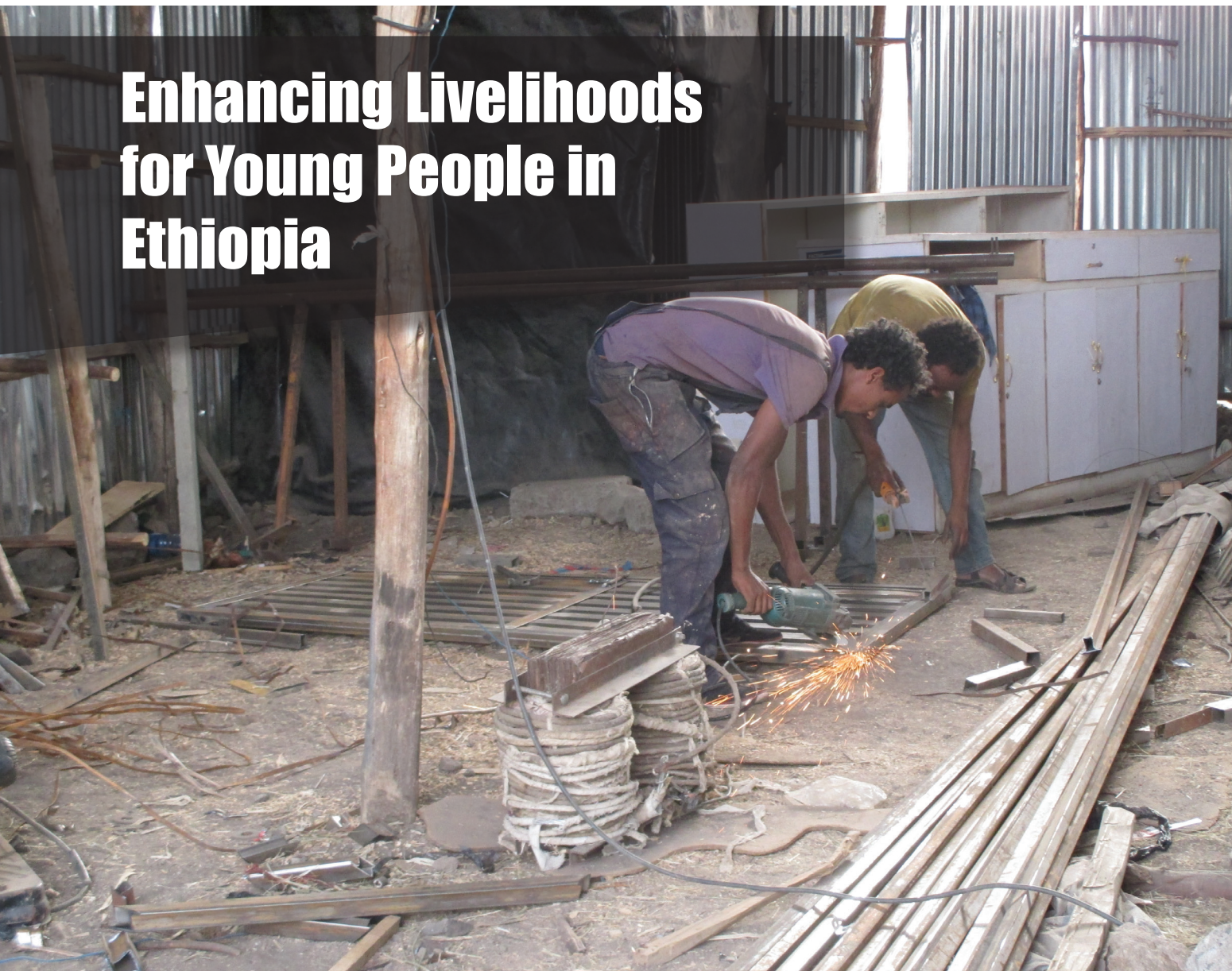


# Enhancing Livelihoods for Young People in Ethiopia



Source: AEMFI, 2015

Ethiopia's population is booming and the government has recognised that neither the public sector nor existing private companies are capable of fully absorbing the numbers of young people entering the labour market. Despite comfortable growth levels in line with government targets, the economy is not producing enough paid employment

for young people. This is true, both for the formal, regulated sector, as it is for the informal sector that provides an occupation for the bulk of the population outside agriculture. In view of this, the government has earmarked large sums to finance an extensive and comprehensive set of job-creation initiatives aimed specifically at young people, including

incentives and provision for paid employment as well as mechanisms for encouraging young entrepreneurs and supporting them with training and skills enhancement. These policy initiatives are relatively recent and will require some experimentation and fine tuning to reach a significant proportion of those targeted. Nonetheless, some early successes can already be observed and there are indications that the government is committed to improving its employment-supporting initiatives in order for them to have an increasingly meaningful impact.

### **Ethiopia's Youth Employment Landscape**

Nearly two third of Ethiopia's youth are employed. However, most of them are frequently involved in low-return and high-risk informal sectors; this is especially true for young women.

One of the key findings from the recent study on *Youth Self Employment in Ethiopia* is the imbalance between the employment situations of young Ethiopians depending on their gender: At almost every level and in almost every situation, females appear to be disadvantaged. Despite women's being equal in the eyes of the law, they are less likely to be employed at all, far less likely to have secure, or decent jobs.

These overall results, taken from the surveys that constitute the *Youth Self-Employment in Ethiopia* study, clearly demonstrate the need for school-to-work transition schemes for young Ethiopians. But there is a need, also highlighted by the study, for targeted transition schemes that relate both to the needs of the economy and to the aspirations of young people, which is to get decent employment. This is especially important



Source: Manex, 2016



in the light of evidence that the incidence of long-term unemployment among young people is very high in urban areas – a phenomenon that can lead not only to dissatisfaction but, eventually to social disruption.

In the absence of sufficient wage employment, many of the unemployed young people included in the study are either specifically seeking self-employment or prepared to accept it as a career. The implication of this finding, in the context of the rapid transformation out of the public sector as the main source of first employment into private initiatives, is that creating opportunities for young people to establish their own businesses is a viable strategy for public authorities. Moreover, evidence from the study is that the existing private-sector employers are incapable of absorbing the rising numbers of young people entering the workforce.

### Fostering Innovations that Work for Youth

One thing that stands out from the study is the high percentage of young people who have had

contact with government support programmes (65%), but the reported failure of these programmes to have their intended effect. Even more surprising is the finding that 82% of young people are aware of the existence of support programmes but a quarter of these did not avail themselves of such programmes at all.

The reason may derive from a number of factors. A key sentiment expressed by those surveyed for the study is that the supports offered by the public authorities were not tailored to their needs and failed to take account of the requirements of the market place. As the table below highlights, in the context of those seeking wage employment, and as an extension of the demands for school-to-work transition facilitation, young people cite a need for vocational training as their over-riding demand. Well designed vocational training programmes, both on- or off-the-job, can respond to the aspirations, not only of young people, but of their potential employers, as well.

The type of support requested by young people for wage employment by gender

Support type	Total	Male	Female
Vocational training	87.8%	88.4%	87.3%
Information	64.3%	69.8%	59.4%
Apprenticeship	46.6%	47.1%	46.2%
Training abroad	37.2%	41.2%	33.5%

**Note:** Respondents were able to choose more than one option. The high percentage opting for “vocational training”, thus indicates that almost all thought they needed this, almost two thirds also asked for more information, just under half felt apprenticeships would help them find a job, but only just over a third of the total thought overseas training was important.

Similar to those seeking waged employment, would-be entrepreneurs cited vocational training as being top on their list of possible government support. Indeed, overall, the survey demonstrates that only 22% of unemployed young people have had vocational training at any one time. The responses to the survey seem to indicate that young people are well aware of the need to improve their employability through education and training, irrespective of whether they are hoping to gain wage employment or to run their own enterprises. There was also recognition of the importance of apprenticeship and on-the-job training by almost two thirds of those interviewed.

Vocational training is not a solution in isolation; it needs to meet the market demands and help equip young people with marketable skills. The educational system is still ill-suited to preparing young people for the school-work transition and needs to be revised and improved to cater for their real-world needs. While technical and vocational training programs (TVETs) have been expanded in recent years, the relevance of the curricula to the world of work is questionable, at least in the opinion of young Ethiopians themselves. Increased numbers in formal education over the last decade have not addressed unemployment sufficiently and it remains a serious challenge.

Providing marketable skills and re-training the young unemployed, particularly for those leaving the formal school system, including TVETs and university graduates, is a key intervention to improve the transition from school to work. However, instead of delivering generic training and support services, there is a need to provide tailored technical and workplace-related training that match the needs of the market. Moreover, there is a need to revisit the entire educational

system to make it a part of the preparation for young people to transition into the world of work.

## **Deepening Financial Inclusion**

An unsurprising finding, and one that echoes in most sub-Saharan African countries, is that young people hoping to establish their own enterprise feel constrained by lack of finance. Indeed, about 96% of such actual or potential young entrepreneurs identified lack of access to finance as the major challenge they face to start a new business. However, the room for manoeuvre for the government and for the financial institutions is somewhat limited in this sphere, since the reality is that young people, on the whole, have neither the experience of running a business nor the accumulated collateral to justify bank lending on a normal basis. Evidence from this study suggests that two avenues might provide promising prospects: training in enterprise management and government guarantees for loans to young entrepreneurs who meet specific criteria. Such criteria could include, for example, enterprises in key growth areas.

Current policy is to encourage would-be entrepreneurs – particularly the youth – to access micro-finance institutions (MFIs) for start-up funding. However, the study found a very low rate of adoption of MFI loans, despite the general availability of such financing sources. There could be several reasons for this. Among them is the insufficient value of such loans for ambitious young people, as well as the high rates of interest. In addition, because of the lack of appropriate business training noted earlier, young people tend to “crowd into” specific, already well occupied markets and so present poor risks, even for MFIs.

The other challenge is the proximity of financial institutions. Ethiopia is a large country and many potential entrepreneurs and young people working on the land or in agriculture-related professions find themselves far from the service points of the MFIs and other financial institutions. Expanding access through itinerant banking facilities and the extension of the bank-branch system could enhance access and improve the take-up rate of employment-oriented loans.

### **Connecting Young People to Markets and to Employment Opportunities**

The study reveals that young Ethiopians planning to start a business, or expanding an existing one, report the shortage of production equipment (85%) and business premises (84%) as their second-most severe constraints, representing serious challenges to their ambitions. For young people hoping to go into certain type of manufacturing – even if it is to be small-

scale, such as dressmaking – the unavailability of equipment or its high price presents a substantial obstacle to set up an enterprise. A shortage of suitable working premises is another hurdle to start a business. As manufacturing is a sector where the opportunities for profits and expansion hugely depend on suitable equipment and workplace, lack of these resources is a key barrier for young entrepreneurs with growth ambitions. .

Access to labour market information is a key barrier to gainful employment for many young people. Young people seeking wage employment or self-employment opportunities have little access to relevant information in any structured fashion. There is a need to establish a national system where information is accessible to all young people – employed or unemployed. This could help young people find information on opportunities in the labour market. To be effective, such a system has to operate on Federal, regional and Woreda levels and



Source: Manex, 2015



people need to be trained in its use. Alongside government, the involvement of the private sector is critical to improving the labour-market information system and private firms have much to gain from it. Making available employment opportunities available on-line, organising job interviews and opening regular job fairs are some of the activities that could be integrated into the system. Use of the information system could be enhanced by providing career counselling and guidance services, mentoring and advice on skills acquisition. These services could be outsourced to private actors, thus reducing the burden on the public sector.

### Addressing the Gender Gaps

The persistence of significant gender differentials to the detriment of young women deprives the Ethiopian labour market of optimal selection of candidates for employment. Throughout the study and in every aspect of employment there are glaring inequalities that need to be addressed. This is not so much a question of moral rectitude, although the system is manifestly unfair to women, as a question of economic efficiency. The economy cannot afford to deprive itself of some of its best human resources simply on the grounds of their gender.



Source: AEMFI, 2015

The public authorities need to define policies specifically directed to resolving the problem of gender inequality both in the labour market and in the educational system that leads up to it. These policies need to include programmes that cater to the particular needs of unemployed young women, guiding them, especially, towards careers – such as self-employment – that are compatible with a healthy work-life balance. Employers, too, should be educated about the benefits of recruiting young and talented female candidates. Moreover, incentives should be offered to young women to remain in education and training, or to sign up for TVET in order to improve their chances of securing quality employment.

### **Developing Lasting Solutions**

Long-term and sustainable strategies for tackling the challenge of youth unemployment will need to be multi-faceted and incorporate interventions and programmes from a variety of actors. The growing urban young population, in particular, needs to be catered for in order to underpin growth, stimulate long-term prosperity and inclusive development. There is a need to create an enabling policy and regulatory environment and to implement well-designed support programmes to expand wage and self-employment for the youth. This will require co-ordinated interventions of key stakeholders alongside government and must include the private sector and youth themselves.

Promoting self-employment is key to expand youth employment in Ethiopia. Potentially, the youth are energetic, motivated, and trainable.

However, they remain disadvantaged by lack of business skills, financing, premises, equipment and infrastructures. They need tailored support, including technical and business development training, access to finance and access other resources such as land, equipment, operating premises, technology and markets.

Different stakeholders can play a role in this respect. There is a role for TVET in building entrepreneurial skills, management abilities, communications and marketing capacities. There is also a role for government in encouraging the establishment of leader firms and business clusters that can provide mentorship and mutual support especially for new businesses. There is also a need to integrate entrepreneurial training modules into the education system of the country at all levels.

Tailored support to unemployed young women is vital to reducing the gender gap and recalibrating the labour market to be more efficient. This can include training that address their specific skills deficit, financial products suited for their needs, and strategic and business management skills. Unemployed women have specific challenges and characteristics that are different from those of their male counterparts and that, therefore, require different approaches. To this end, the government at various levels should design and implement tailored support programmes to address the specific need of unemployed young women.



Source: Kongit, 2015



This brief draws on a study on *Youth Self-Employment in Ethiopia: Promoting Micro and Small Enterprises (MSEs) Through Government Support Programmes* by Wolday Amha, Tassew Woldehanna, Manex Bule and Yisak Tafere. The research was carried out under the auspices of the Association of Ethiopian Microfinance Institutions (AEMFI) with financial support from Canada's International Development Research Centre (IDRC). The views expressed in this brief are those of the researchers and do not necessarily reflect those of IDRC and AEMFI.



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