

(RURAL) EMPLOYMENT IN ETHIOPIA

***TRENDS, PROSPECTS, AND POLICIES
FOR MORE/BETTER EMPLOYMENT***

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OUTLINE

1. Broad overview of employment trends since early 2000s
2. Zoom in on rural employment, especially rural youth
3. The challenge and what can be done...

SOME CONCEPTS...

- ILO definition of employment: Employed if worked **at least 1 hour** in the preceding week
- **“Independent” farmer**: Someone working on his/her own land as a primary occupation ~ usually head of HH
- **“Unpaid family farmer”**: Someone working on his/her family’s field as unpaid household labor ~ usually children and spouse of household head
- **Youth**: 15 to 29-years-old

WHY ARE WE HERE?

- Scale of the challenge:
 - Ethiopia's working-age population is growing at **2 million per year**
- A **massive** expansion of employment is required
- GoE 2025 Vision:
 - **2 million** direct manufacturing jobs in next 10 years
 - **4.4 million** indirect manufacturing jobs in next 10 years
- Great! But still **13.6 million jobs** required.

EMPLOYMENT TODAY

Agriculture



“In Between”



Modern Industry & Services

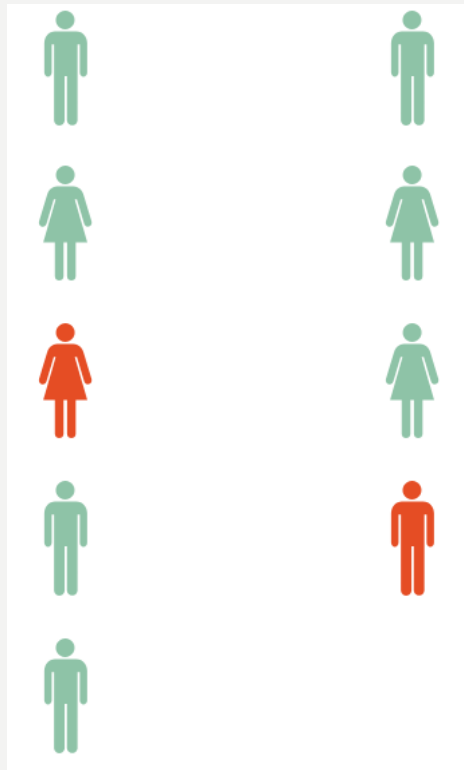


Mainly: Self-employment in small nonfarm enterprises
Mainly: Towns and better-connected rural areas

An important part of “in between:” RNFE

EMPLOYMENT IN 10 YEARS

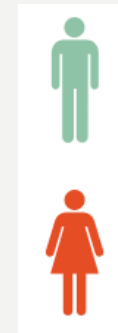
Agriculture



“In Between”



Modern Industry & Services



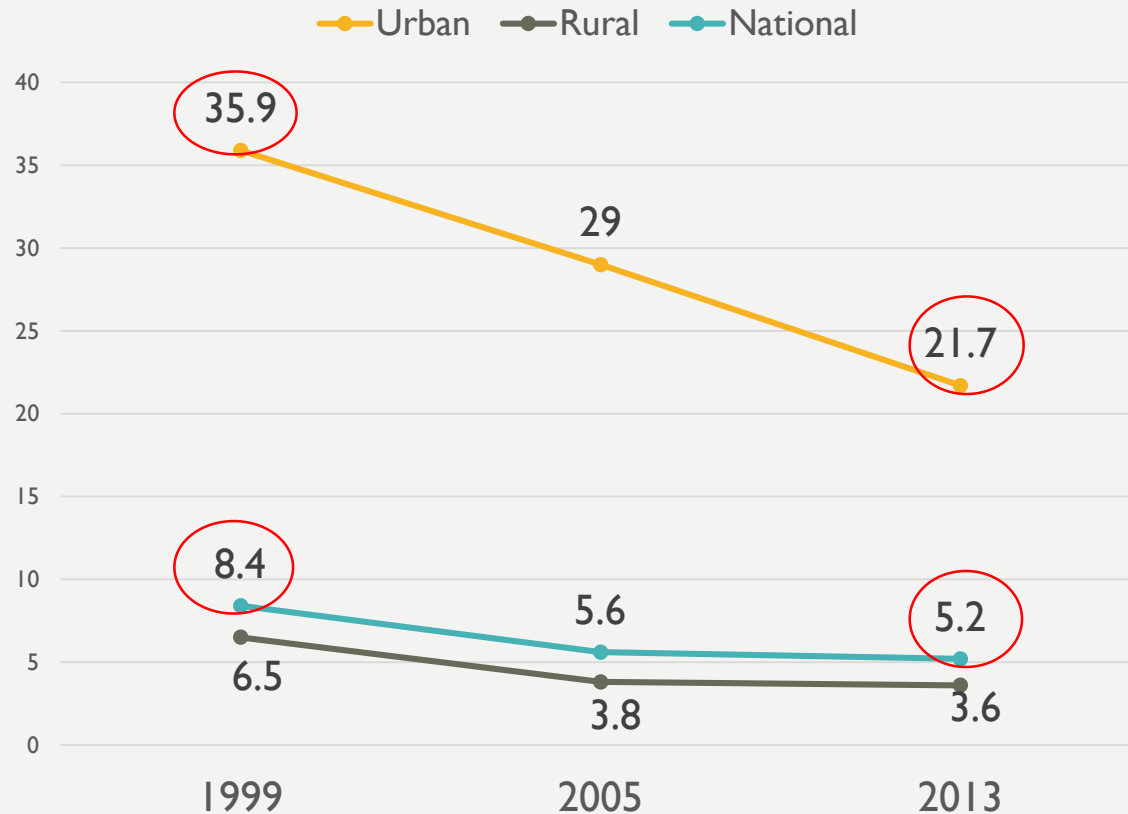
RNFE will grow in terms of employment over coming decade:

1. land scarcity
2. increasing education levels
3. small base of formal wage sector



EMPLOYMENT TRENDS SINCE 2000

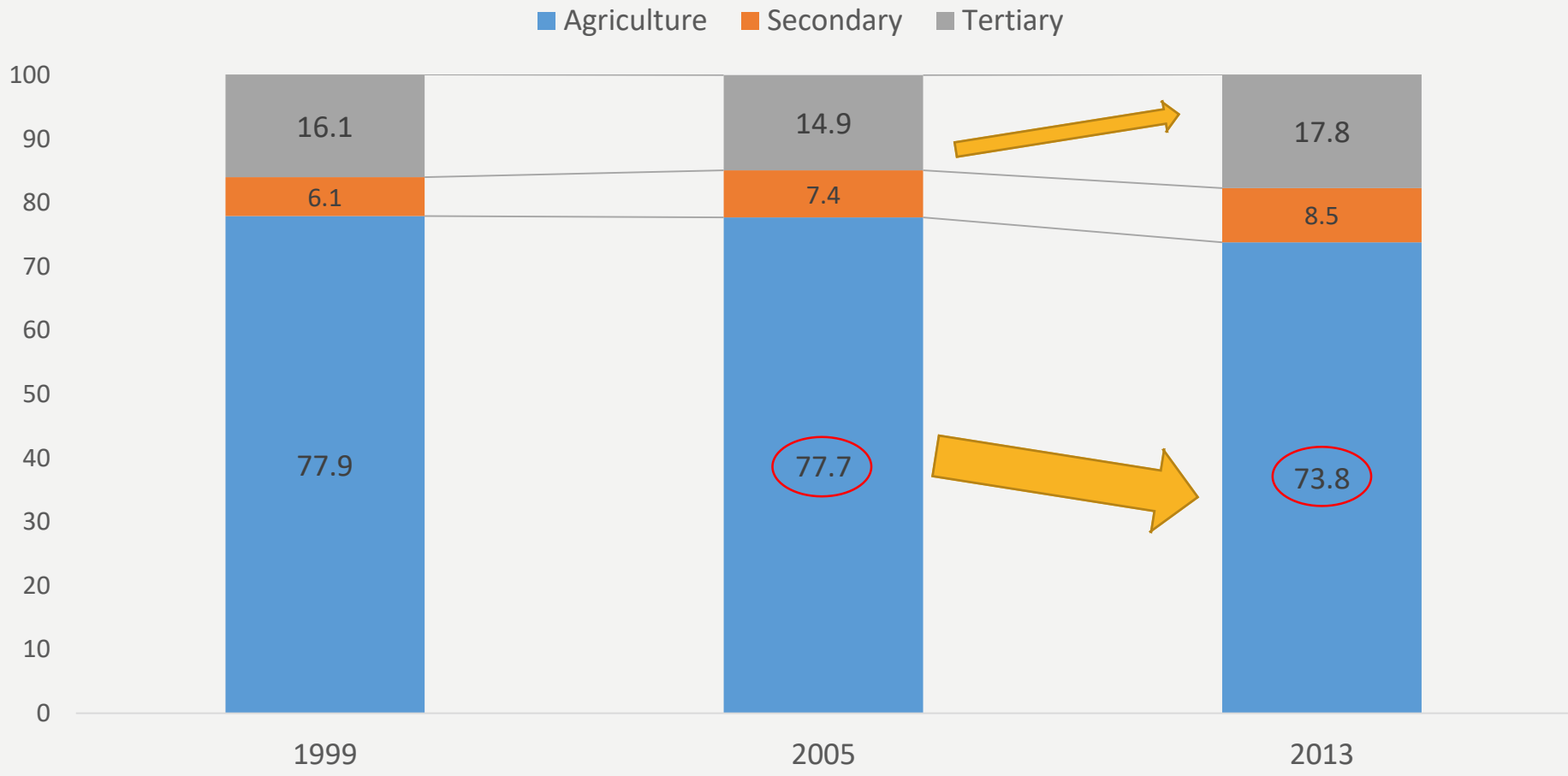
LONG-TERM EMPLOYMENT TRENDS LARGELY POSITIVE



Labor Force Surveys

- Ethiopia's growth has NOT been jobless
- Urban unemployment decreased strongly, non-farm job creation from low base
- Urban unemployment ~ 16.9% in 2016
- Open rural unemployment low, due to definition of employment
- No national data since 2013

A SLOW MOVE OUT OF AGRICULTURE

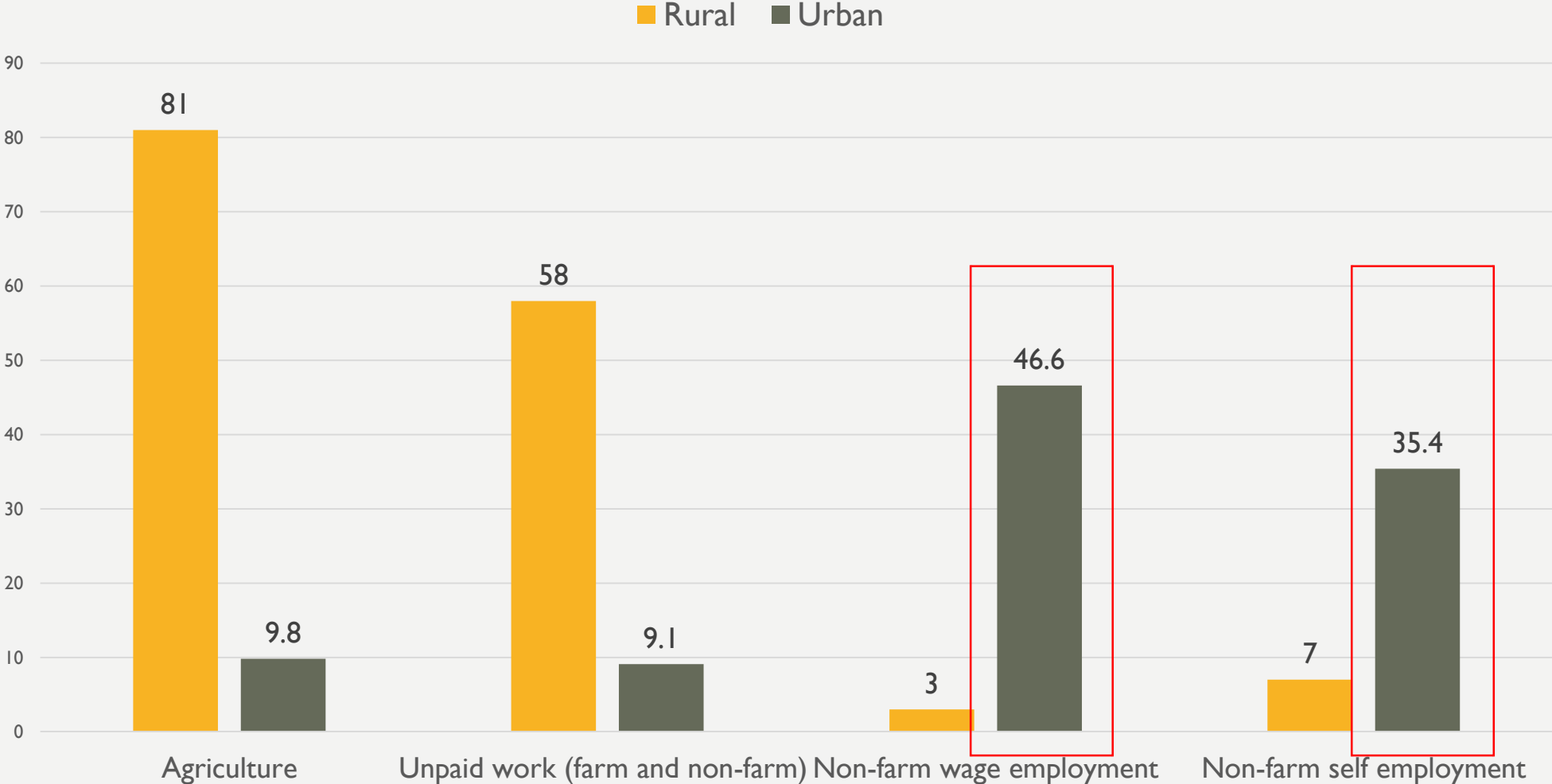


EMPLOYMENT REMAINS DOMINATED BY AGRICULTURE AND UNPAID WORK



- **70%** of workers have their main job in agriculture (2013)
- **41%** of workers have their main occupation in unpaid family labor
- Non-farm wage employment is rare (**10%**)

RURAL VS URBAN: DIFFERENT STRUCTURE



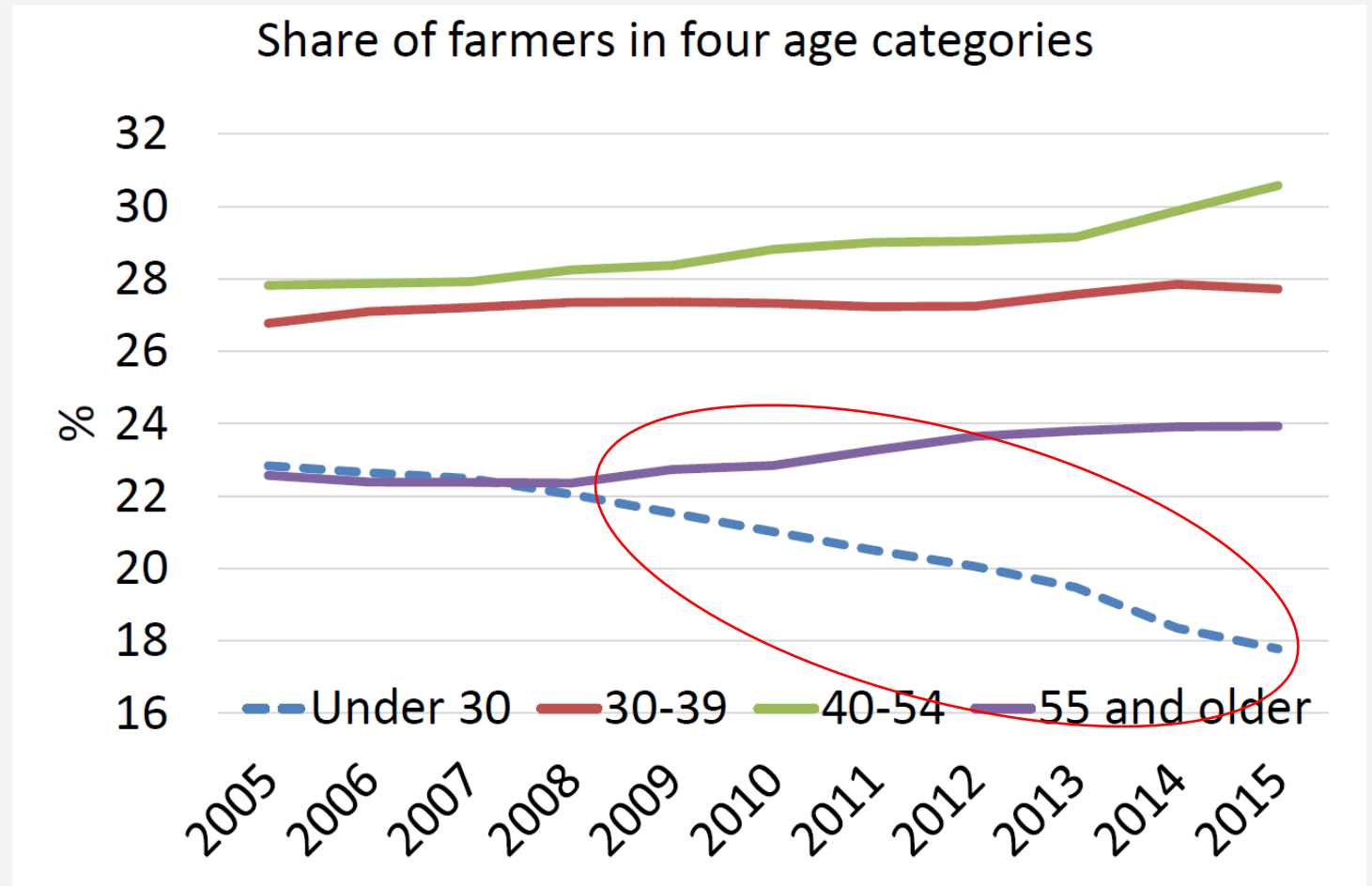
RURAL EMPLOYMENT - YOUTH

RURAL YOUTH “STUCK” IN UNPAID LABOR



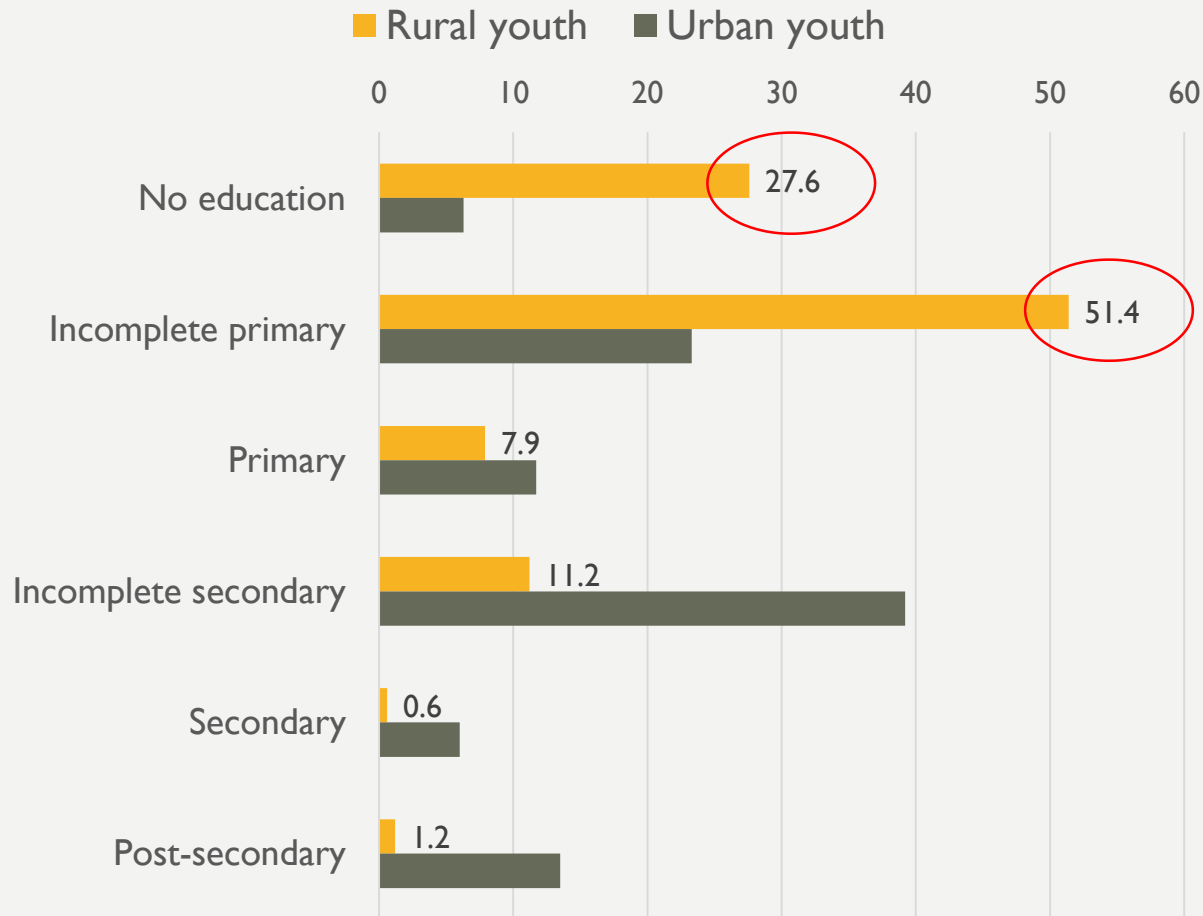
FARMERS ARE GETTING OLDER

- Share of youth farmers declined from 23% in 2005 to 18% in 2015



Source: IFPRI, 2018

RURAL YOUTH REMAIN LITTLE EDUCATED



- In 2016, **79%** of rural youth had not completed primary education
- Most rural youth begin primary school, but not many complete it
- Too low-skilled to successfully transition into nonfarm employment



THE CHALLENGE

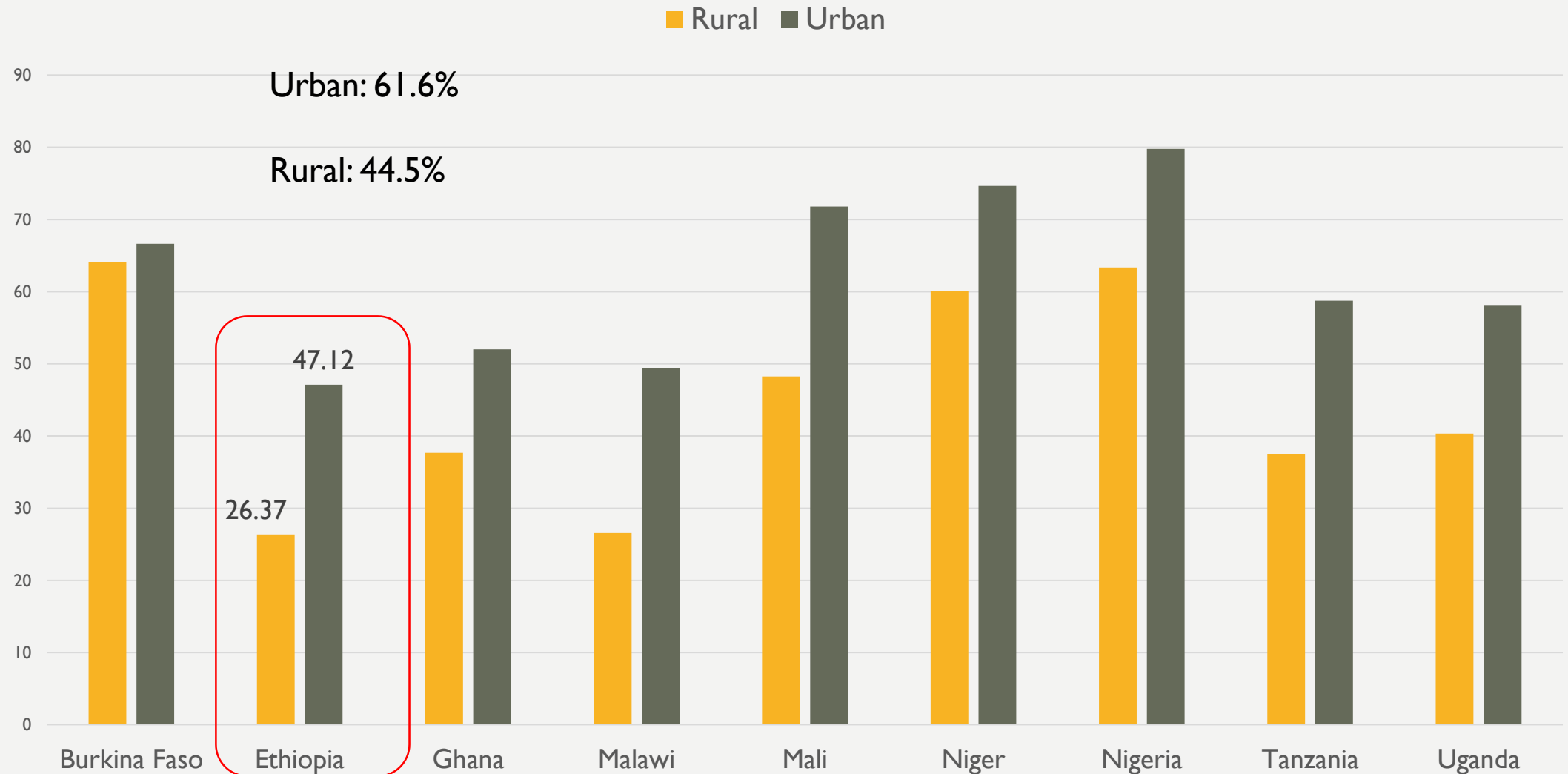
2 MILLION, EVERY YEAR

- Ethiopia's working age-population is projected to grow by 2 million per year over the next decade
- Most of this increase will be in rural areas
- **Key challenge:** How to provide employment opportunities to this rapidly growing labor force, against the backdrop of **land scarcity** and **low education/skills levels** (rural areas)?

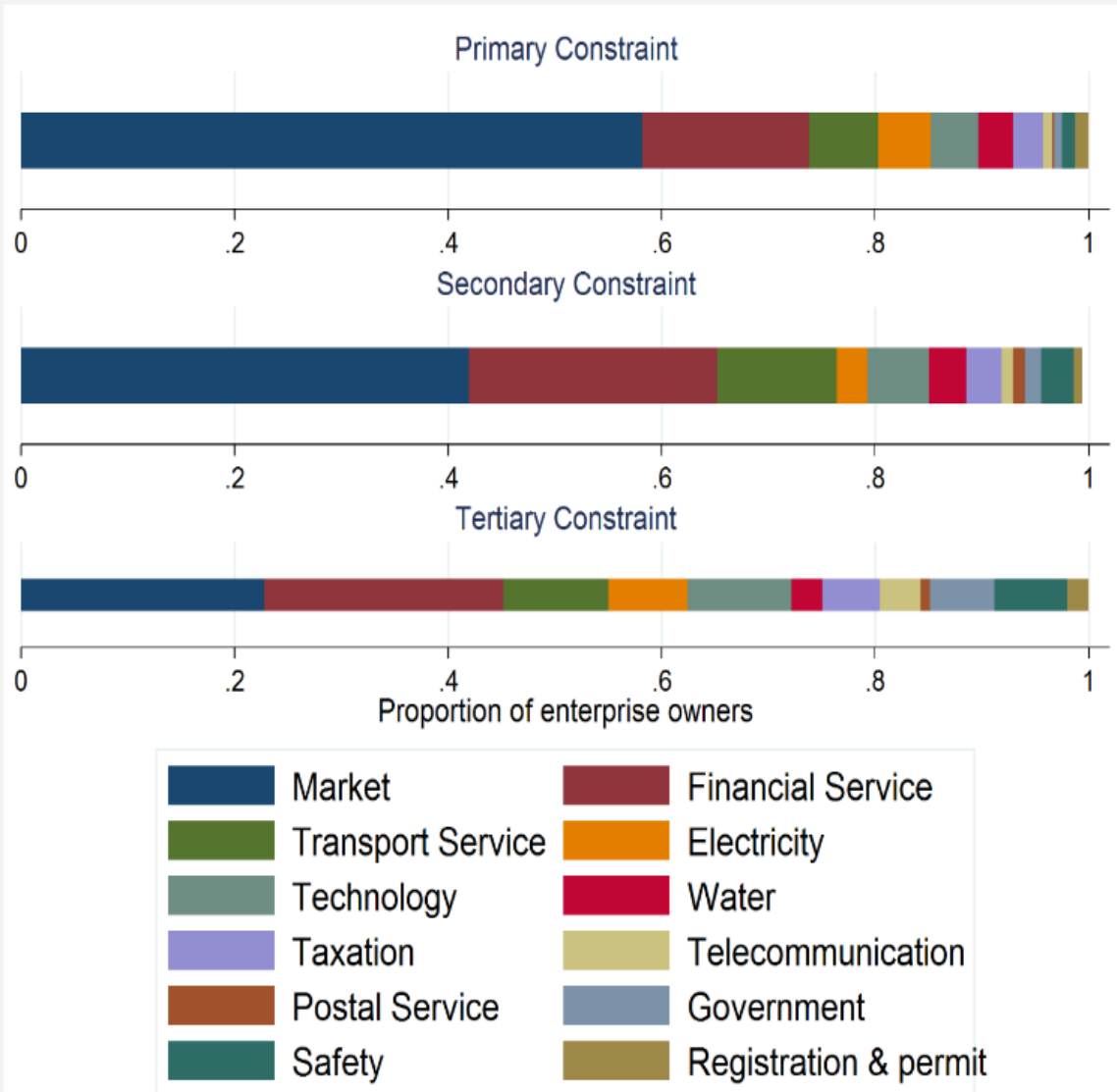
WHAT CAN BE DONE IN RNFE?

1. **Agricultural productivity:** Most direct way to increase rural incomes and boost employment in value chain (processing, storage, transport, distribution. etc.)
2. **Helping rural youth to move beyond the farm:**
 1. Rural nonfarm enterprises (“household” enterprises)
 2. Mobility to towns/urban areas

RURAL NONFARM SECTOR: HH ENTERPRISES



WHY SO LOW IN RURAL AREAS?



- Access to markets (physical access + low demand) is by far the main constraint
- Access to finance second constraint, but not nearly as important
- Despite large infrastructure improvements, rural Ethiopia remains remote and little connected
- In 2016: [Rural accessibility index](#) of 22%

MOVING BEYOND THE FARM: MOBILITY

- In Ethiopia, **large welfare effects** of internal migration (both in terms of diets and non-food consumption (*de Brauw, Mueller, Woldehanna, 2017*))
- However: relatively low internal migration rates in Ethiopia (in 2013 LFS); bound to increase given **increasing education levels** and **land scarcity**
- Acknowledge and facilitate migration and plan for it: **Town development** and **improved connectivity** with rural surroundings; more nonfarm jobs and also more urban demand for rural products (crops and livestock)
- Create “mini”-agglomeration effects

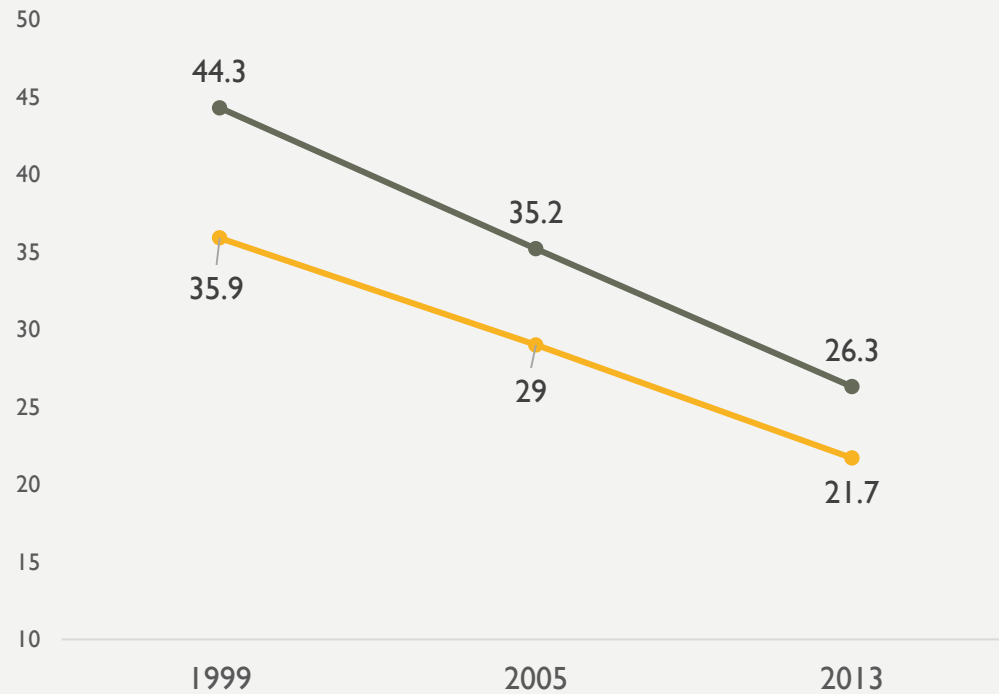
MAIN TAKEAWAYS

- Urban areas (youth) have been doing well
- Rural youth less so:
 - Little to no education
 - Little access to land: Underemployed in unpaid labor
 - Large numbers (70 million Ethiopians below age 30)
- Response will need progress in all sectors (agriculture, industry, services), but RNFE:
 - Basic education & agricultural productivity crucial
 - Town development and rural connectivity for rural nonfarm enterprises
 - Mobility for employment and better living standards

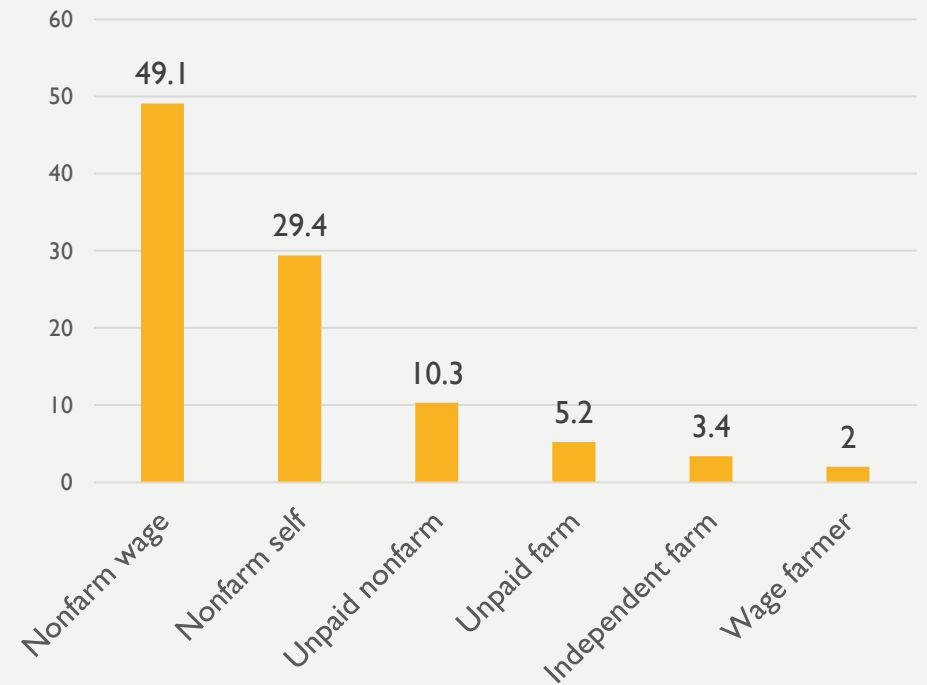
LARGE IMPROVEMENTS OVER PAST 15 YEARS

Urban unemployment

Urban Urban youth

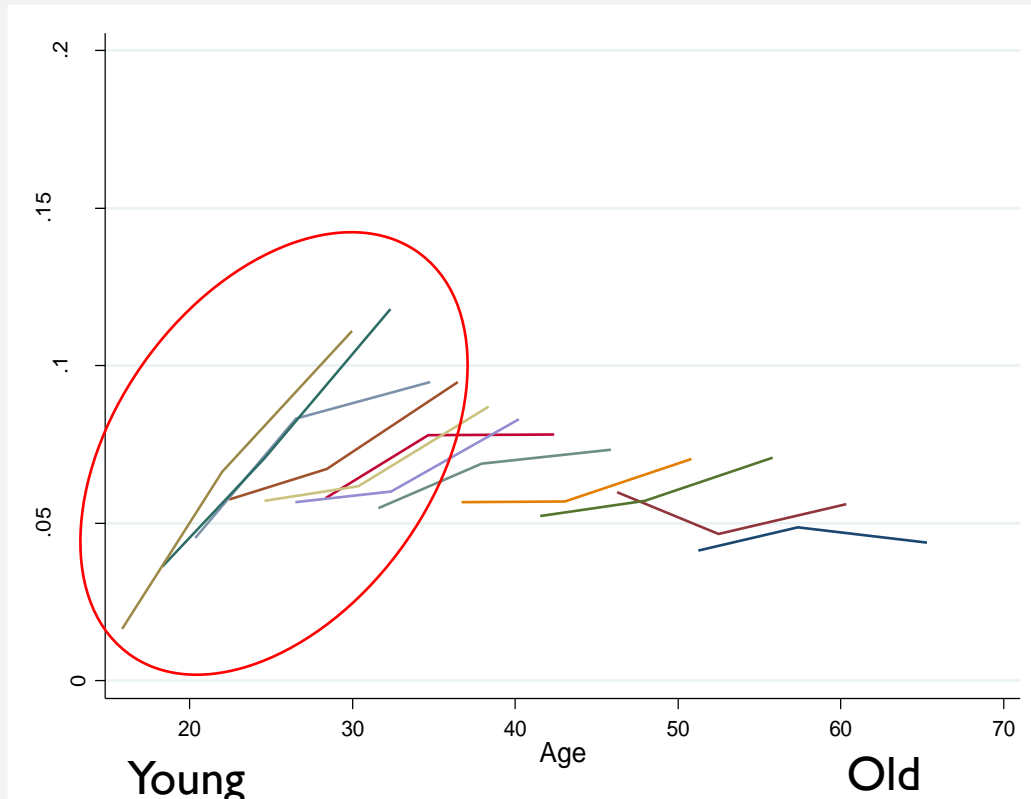


What are the urban youth doing?



DRIVEN BY YOUNG MEN, THROUGH MIGRATION

SHARE OF COHORT LIVING
IN URBAN AREAS, 1999-2013



SHARE OF COHORT
WORKING IN
AGRICULTURE

