(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

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

• 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

The chart shows the percentage distribution of the economy between Agriculture, Secondary, and Tertiary sectors from 1999 to 2013. The Agriculture sector is represented in blue, the Secondary sector in orange, and the Tertiary sector in gray.

- In 1999, the distribution was 77.9% Agriculture, 6.1% Secondary, and 16.1% Tertiary.
- In 2005, the distribution was 77.7% Agriculture, 7.4% Secondary, and 14.9% Tertiary.
- In 2013, the distribution was 73.8% Agriculture, 8.5% Secondary, and 17.8% Tertiary.

The chart indicates a slow move out of agriculture, with a slight increase in the Tertiary sector and a decrease in the Agriculture sector over the years.
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%)

2013 Labor Force Survey
RURAL VS URBAN: DIFFERENT STRUCTURE

- Agriculture: Rural 81, Urban 9.8
- Unpaid work (farm and non-farm): Rural 58, Urban 9.1
- Non-farm wage employment: Rural 3, Urban 46.6
- Non-farm self employment: Rural 7, Urban 35.4
RURAL EMPLOYMENT - YOUTH
RURAL YOUTH “STUCK” IN UNPAID LABOR

<table>
<thead>
<tr>
<th>Category</th>
<th>1999</th>
<th>2013</th>
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<tr>
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<tr>
<td>Unpaid family farmer</td>
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<td>Non-ag self-employed</td>
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<tr>
<td>Unpaid non-ag family worker</td>
<td>5.0</td>
<td>6.4</td>
</tr>
</tbody>
</table>
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

Urban: 61.6%
Rural: 44.5%

Burkina Faso
Ethiopia
Ghana
Malawi
Mali
Niger
Nigeria
Tanzania
Uganda
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

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