



**WOLKITE UNIVERSITY**

**COLLEGE OF SOCIAL SCIENCE AND HUMANITIES**

**DEPARTMENT OF GOVERNANCE AND DEVELOPMENT STUDIES**

**SENIOR ESSAY ASSESSMENT ON THE CHALLENGE OF EMPLOYMENT**

**CREATION IN ETHIOPIA**

**Prepared by:**

**1 Lemesa Girma**

**2 Hana Mesfin**

**3 Mignot Yaekob**

**Advisor Mr. Abebe A.**

**January, 2021**

**Wolkite Ethiopia**

**APPROVAL FORM**

This Is To Confirm That The Research Report Entitled Senior Essay Assessment On The Challenge Of Employment Creation In Ethiopia Submitted To Wolkite University, College Of Social Science And Humanities Department Of Governance And Development Studies By: Lemesa Girma, Hana Mesfin And Mignot Yeakob Approved For Submission.

**Student Team Approval Form**

Student Name	Signature	Date
1. -----	-----	-----
2. -----	-----	-----
3. -----	-----	-----

**Advisor Approval Form**

Advisor Name	Signature	Date
-----	-----	-----

<b>Contents</b>	<b>Page</b>
Acknowledgments.....	ii
ACRONYMS AND ABBREVIATIONS .....	v
<i>ABSTRACT</i> .....	vi
Chapter one .....	1
1. Introduction.....	1
<b>1.1 Background of the study</b> .....	1
<b>1.2. The Statement of the Problem</b> .....	3
<b>1.3 The Objective of the Study</b> .....	4
1. 3.1 The General Objective.....	4
1.3.2 The Specific Objectives.....	4
<b>1.4 The Research Question</b> .....	4
<b>1. 5. Significance of the Study</b> .....	4
<b>1.6 Scope of the study</b> .....	5
<b>1.7 Limitation of the study</b> .....	5
<b>1.8 Research Methodology</b> .....	5
1.8.1 Source of Data and Types of Data.....	5
<b>1.9. Organization of the Paper</b> .....	5
Chapter Two.....	7
2. Review of Literature .....	7
<b>2.1, Concepts, and Definitions of youth unemployment</b> .....	7
2.1.1 Defining the Youth .....	7
2.1.2 <i>What is Unemployment?</i> .....	8
<b>2.2. Youth Unemployment Trends in the Global</b> .....	9
<b>2.3. African Perspective Youth Unemployment Overviews</b> .....	10
<b>2.4 Youth entrepreneurship in Ethiopia</b> .....	11
2. 4.1 Challenges of youth entrepreneurs in Ethiopia.....	13
2.3.2 Opportunities of youth entrepreneurs in Ethiopia .....	13

<b>2.5 Conceptual Framework of Study</b> .....	15
<b>2.6 Empirical review</b> .....	15
<b>2.7 The Implication of review</b> .....	18
CHAPTER THREE .....	19
3. CONCLUSION AND SUMMARY .....	19
<b>3.1 CONCLUSION</b> .....	19
References.....	21

## **Acknowledgments**

First and foremost, I would like to thank almighty God for making everything possible. I would also like to express deep gratitude to our advisor, Mr. Abebe Amare for his constructive, critical and valuable comments through the research work and professional support and guidance that made this work possible. I am also thankful to all respondents that made this study possible in sharing their thoughts and experiences with me. Finally, my big gratitude goes to the beloved dear Father and mother for their strong support and prayer.

## **ACRONYMS AND ABBREVIATIONS**

**CSA:** Central Statistics Agency

**FDRE:** Federal democratic Republic of Ethiopia

**GDP:** Gross National Product

**GoF:** Government of Ethiopia

**GTP:** Growth and Transformation plan

**ILO:** International Labour Organization

**MOLSA:** Ministry of Labor and Social Affairs

**MOY:** Ministry of Youth Sport and Culture

**MSE:** Micro and Small Enterprise

**NGOs:** Non- Governmental Organizations

**PASDEP:** Plan for Accelerating of Sustainable Development and Eradication Poverty

**PRSP:** Poverty Reduction Strategy Paper

**UN:** United Nation

**UNDP:** United Nations Development Program

**WB:** World Bank

**WDR:** World Development Report

**WHO:** World Health Organization

**YoWEP:** Young and Women Entrepreneurship Promotion

**TaYa:** Talent Youth Association

## **ABSTRACT**

*The growth of youth unemployment is one of the critical socio-economic problems which Ethiopia is facing today. That was caused by socio-economic and demographic factor. The intensity of the problem is high in urban areas in Ethiopia where youth face serious challenges in getting employment. The flow of large number of young people in Ethiopia has paved the way for the rise of varied social problems amongst which is youth unemployment. This study was set to assess the socio-economic and demographic cause and emerging challenges of employment creation in Ethiopia. The socio-economic and demographic cause and emerging challenges of youth unemployment vary based on the age, sex, marital status, migrant status and educational levels of youth. Based on the findings of the study, Addressing the causes, challenge and empowering women and giving advice to migrant youth, maintaining the rapid population growth of the town with concerned institution, increasing investment on training institution and linking the training institution with labour market.*



## **Chapter one**

### **1. Introduction**

#### **1.1 Background of the study**

Employment creation is a priority for donors and governments in many delicate states, as outlined in the 2011 World Development Report (WDR), (World Bank 2011). Employment creation can include a range of interventions ranging from direct short- or long-term job creation, by state or non-state actors, to policies to promote self-employment, for example through the creation of micro-, small- and medium-sized enterprises, to macro-level policy measures to stimulate employment growth ('enabling policies'), for example improving the quality of labour supply through skills development, assisting the poor to access employment through state employment agencies, providing job subsidies or instituting tax incentives to promote investment in sectors with high employment elasticity.

The quality of employment created by such interventions varies considerably across sectors, in terms of duration, wage rate, terms of employment and scale of employment. In this study interventions were divided into three groups; direct employment creation, enabling macro-policies and interventions to promote self-employment, following Ellis et al. (2010).

According to the International Labor Organization's World Employment and Social Outlook: Trends (2016) report, creating jobs remains a main challenge for the region particularly in sub-Saharan Africa. Regional unemployment stands at 7.4 per cent, and the majority of workers are in formal or vulnerable forms of employment. For young people, the condition is even more concerning. The youth unemployment rate is 11.1 percent, largely due to the limited formal job opportunities available. As Africa's youth population is set to more than double by 2055, it is very important for governments to identify and promote alternative path ways to sustainable livelihoods.

To addressing such a problem employment creation is a crucial solution to this most critical challenge facing young people in sub-Saharan Africa and to Ethiopia. The role of young entrepreneurs or job creation as agents of positive change and creators of jobs in their

communities and countries, particularly in Africa, must be recognized and a need to support these employment creation and to enhance the opportunities open to them is mandatory (The Commonwealth, 2016).

Today's young generation experiences widening social gaps and faces diverse challenges. In developing countries, rapid changes in the social conditions of young people as a result of changing socio-economic and policy structures, and wider global change mean that they face a more precarious future than any existing generation. African Economic Outlooks researched that employment creation for African youth are challenged by the following barriers such as lack of access to sufficient capital, lack of access to lucrative markets, poor marketing and branding, lack of access to suitable working space, lack of business management skills, inadequate and inaccurate financial records, lack of education and training, lack of non-going business support, work experience, government regulations and availability of infrastructure.

Other researchers also, conducted in different countries and times, found the same result regarding to challenges of young entrepreneurs. These Researchers suggested that young entrepreneurs are challenged by various problems like lack of credit access, both local and foreign markets access, education and training, managerial skills, government regulations, business support, work experience and business information, infrastructure and not see it a secure means of labor market as Maia Sieverding (2012) in Egypt, Simon Amenya et al., (2010) in Kenya, Danso Ansong et al., (2012) in Ghana, Chibueze Jerry Nwigwe (2010) in Nigeria, Yordanos Mekonnen (2006) and Gedif Tessema, (2015) in Ethiopia. According Gedif Tessema (2015), at least to minimize such challenges of young people regarding to being unemployed, countries should create conducive environment to promote youth entrepreneurship.

A number of policies are copied and come in to existence and become fruitful. Even if it is so, it is recognized that the generative source of all economic value is the creative human mind that is uniquely capable of discovering new scientific principle leading to the application of technological advancements in modes of economic production. Every human being has the inherent potential to contribute to the future of civilization. Rather than seeing Africa with its bulging youth population as an opportunity for exploitation, as a source for labor intensive and low wage jobs in the globalized world economy, these youth should be trained as skilled workers, engineers, and scientist, to maximize their contribution to society (CMPI media, 2016).

The Government of Ethiopia (GoE) gives due emphasis to employment creation (as asserted in PASDEP and GTP) and different policies and strategies have been introduced and implemented by the government for employment generations and to improve the situations of youth unemployment. PASDEP is emphasized promotion of productive employment creation through strengthening small and medium enterprise development. The GTP also articulates the importance of small and microenterprises for industrialization and Enhancing job creation, thereby addressing the challenges of unemployment in the country (MoLSA, 2006).

Therefore this paper tries to addresses the major challenges of employment creation in Ethiopia. On the other hand, this research tries to identify the rapid changes in the social conditions of young people as a result of changing socioeconomic and policy structures in Ethiopia.

## **1.2. The Statement of the Problem**

Gaining employment opportunity in Ethiopia is a major challenge that young people in urban areas in the country encounter. According to (ILO, 2007), report estimates, the Sub-Saharan Africa region has the highest rate of youth unemployment (18.4%), the Middle East and North Africa (21.3%). A research conducted by (Fadayom, 1992), shows that urban unemployment is higher than rural unemployment in the region. Youth unemployment has increasingly come to be recognized as one of the critical development challenges many countries in the (Curtain, 2004).

A Poverty Reduction Strategy Paper (PRSP) report published in 2006 by the Ethiopian government identified job creation to be a major problem in the country. Ethiopia has a relatively youthful population with greater than 40% of its population being below 15 years. (YEN, 2011). The PRSP report as well as identified the average age of the country's population to be 22 years.

The challenges of youth unemployment situation in Ethiopia is worst, particularly those who live in urban areas (Berhanu, 2005). According to (Guracello, 2007), youth in urban areas face a high rate of unemployment almost 20%. Confirming to this, youth unemployment rate in urban areas of the country, was found to be 24.5% in 2010 (CSA, 2010).

In spite of the above facts, the specific causes affecting youth employment in the country have not yet been assessed. Therefore, analyzing individual's characteristics in explaining the youth unemployment is relevant to tackle these problems through some kinds of policy actions.

This study was therefore attempt to explore and analyze employment status and some demographic and socio-economic related factors that explain youth unemployment and The study tries to fill research gap existed in the challenges of employment creation in Ethiopia.

### **1.3 The Objective of the Study**

#### **1.3.1 The General Objective**

The general objective of the study is to assess the factors that contribute for challenges of employment creation in Ethiopia.

#### **1.3.2 The Specific Objectives**

The specific objectives of the study are to:-

- I. To assess the socio-economic factors affect employment creation.
- II. To examine the demographic factors affect employment creation.
- III. Assess the extent to which the government deals with reduce unemployment.

### **1.4 The Research Question**

The research question section includes information on the main research question and sub questions. The main question researcher formulated is.

- I. How the socio-economic factors affect job creation?
- II. How the demographic factors affect employment creation?
- III. What kinds of measures have been adopted to address the challenges of employment creation by the government?

### **1.5. Significance of the Study**

The challenges of employment creation among youth have been a serious socio-economic problem in urban as well as rural areas of Ethiopia. This study is importance for social polices because it intends to describe and raise awareness of dilemma of young dwellers in Ethiopia. In assessing the factors that affect employment opportunities of the young people, this study is different from other studies conducted so far. Thus, this research's strives to give a new

perspective to the study of employment creation. At the end of this study, more comprehensive information on the major trends associated with employment creation would have been provided, which would be vital for further research on the topic.

## **1.6 Scope of the study**

The study primarily focused on the challenges of employment creation thematically on the demographic factors, the socio-economic factors and the geographical factors on the challenges of employment creation in Ethiopia.

## **1.7 Limitation of the study**

The researchers face the problem of collecting the primary source on the study issues for the pressure of the widespread of covid-19 pandemic disease and also there is a problem regarding the time given to conduct the paper for the matter of completing the paper in the short period of time as contrast to collecting the secondary source and analysis those sources is so difficult and it need a time.

## **1.8 Research Methodology**

### **1.8.1 Source of Data and Types of Data**

The study used secondary types of data that related with the challenges of employment creation.

#### **Secondary data**

The researchers used some secondary data collected from books, internet website, and other published and unpublished materials and journal articles.

## **1.9. Organization of the Paper**

This study organized into five chapters. Chapter one covers the background of the study, statement of the problems, research question, objectives of the study, significance, scope, limitation of the study. Chapter two present review of related literatures which includes youth unemployment global perspective and definition, youth unemployment African perspective, youth entrepreneurship in Ethiopia, challenges of youth entrepreneurship in Ethiopia and

opportunity of youth entrepreneurship in Ethiopia, finally conceptual framework, challenges of youth unemployment in Africa. Chapter three it includes conclusion and references.

## **Chapter Two**

### **2. Review of Literature**

#### **2.1, Concepts, and Definitions of youth unemployment**

##### **2.1.1 Defining the Youth**

There is no universally accepted definition for youth. Consequently, the concept of youth has been understood and used differently by different governments, non-governmental organizations and the public in general. In an attempt to standardize youth programs international organizations such as the United Nations and the (British) Commonwealth Association of Nations have come up with specific age categories to define youth. For instance, the United Nations uses the age category 15-24 years to define a youth while the Commonwealth uses the age category 15-29 years. Most countries have either adopted the UN or the Commonwealth definition.

MOLSA (1999) defined the term in Ethiopian context, that the word 'youth' is broad and more inclusive than the word 'adolescence'. Youth embraces all young people in the age group of teen (teenagers) up to the beginning of maturity (about age 24). It further categorizes this age group as age group from 15 to 19 and 20 to 24 due to the relative and organic difference between the two age groups in terms of their overall developmental speed, maturity, behavior, world outlook, experience, interest, attitude, etc.

Meanwhile, government organizations, NGOs and civic societies in Ethiopia use various age ranges for the concept "Youth" from the stand point of the purpose which they stand for and the activities they undertake. For example, accordingly Igbinoia (1998) revised the various definitions such as the United Nations (UN) definition of youth as a person between 14-24 years; and World Health Organization (WHO) consider youth person between 10-24; and the Ethiopian Social Security Agency, 15-24 including the experiences of other countries in use of the different age ranges to define the youth.

### ***2.1.2 What is Unemployment?***

The concept of unemployment is quite controversial and its definition differs between and among developed and developing countries. The problem of defining unemployment has received attention in the literature as Dantwala (1971) defined unemployment as a state in which people who can work are without jobs and are seeking for pay or profit. This definition gives rise to the problem of measurement, especially when we are interested in knowing the average rate of unemployment in the economy over a period of time.

Falae (1971) considered such definition as too broad because some categories of people who are without work should not really be regarded as unemployed in any meaningful sense. Falae, therefore; pointed to the labor code prescription of lower and upper limits for the labor force that anyone who is unable to work is not counted as unemployed, even though he or she would love to work.

According to Egbuna (2001) points out that the unemployment rate in an economy is the number of people un employed expressed as a percentage of the total labor force. The total labor force is defined as the number of people employed plus the number of people unemployed within the age bracket of 18-60 years. Unemployment according to Adebayo (1999) exists when members of the labor force wish to work but cannot get jobs. Unemployment should; however, be seen as an indication of far more complex problems. However, the common consensus reached for concerning unemployment is that a country's population is, for the purposes of labor market analysis, divided into two categories: those economically active (working age) population and those economically inactive (non-working age) population (Borjas, 2004).

The working age population is divided into persons in the labor force and persons outside the labor force. The labor force is divided into employed persons and unemployed persons. The unemployed consist of all persons of working age who are not working, are available for work, and are searching for work at prevailing wage rate (ILO, 2004). This is the standard definition of unemployment and is the meaning attached to most of the reported statistics on unemployment in this study. Open involuntary unemployment arises when a person who is able and willing to work, is unable to secure a job. Disguised unemployment arises when the work given to a workforce is insufficient to keep it fully employed, that work is divided

among workers with each worker less than fully employed. This implies that some members of the workforce may be withdrawn without loss in output.

The employed persons, as well, can be divided into two groups: those that are fully employed and those that are underemployed. Underemployment means employment at less than the desired or normal working hours (for example less than 40hrs a week). In this case, an individual desires more hours to improve their standard of living but there is no enough work. Underemployment may be due to industrial dispute, lack of finance, lack of raw materials, breakdown of equipment and inadequate output demand. This is termed as the visible underemployment.

There is also invisible underemployment which workers are fully employed in activities where their productivity is abnormally low or their earnings are not commensurate with specified norms, training, and work experience. In many developing countries, open unemployment and under employment are pervasive (World Bank Report, 2009).

## **2.2. Youth Unemployment Trends in the Global**

The current global youth populations are above 1.2 billion is the largest in history and represents approximately 20% of the world's population. More than 80% of the world's youth live in Africa, Asia and Oceania, 60% of the global youth population lives in Africa. One in five youth lives on less than US\$1 a day. The ILO estimates that the number of unemployed youth is on the rise again since 2011, after declining from the peak it reached at the height of the global financial crisis. It is expected to reach 74.2 million young people by 2014 based on (ILO, 2012). The global youth unemployment rate has also been rising since 2011. It is currently estimated at 12.6% and is projected to increase to 12.8% by 2018.

While youth unemployment rates in Central and Eastern Europe were strongly affected by the world financial crisis, peaking in either 2009 or 2010, the developing regions of the world were less affected. Still, several regions have continued to experience secular increases in youth unemployment rates. In East Asia, the Middle East and North Africa, the (ILO) projected unemployment rates in 2013 are significantly higher than rates at the peak of the crisis. The regions with the fastest projected increases from 2013 to 2018 are Southeast Asia and East Asia.

However, the highest rates of youth unemployment will continue to be found in the Middle East, where they are projected to reach 30%, followed by North Africa, where they are projected to

reach 24% by 2018. High rates of youth unemployment represent both widespread personal disasters for individuals and lost opportunity for critical national and global economic development. Unemployment in youth has been shown to have lifelong effects on income and employment stability, because affected young people start out with weaker early-career credentials and show lower confidence and resilience in dealing with labor market opportunities and setbacks over the course of their working lives. The youth unemployment challenge is particularly intense in the developed world in Spain, (51.4%) 2011 and in Greece (46.6%) as shown by (ILO, 2011).

In the developing world, high youth unemployment represents lost potential for national economic transformation, and high numbers of economically frustrated youth may contribute to social instability and challenges for the government in north Africa.

### **2.3. African Perspective Youth Unemployment Overviews**

Africa is the world's youngest continents. Almost less than 15 years of youth population. Young people can change the world for the better. About 20% of the global population is between the ages of 15-24. In Africa by 2025, two-thirds of our population will be under 25 years of age. This cohort is the next generation of problem-solvers, the ones who can make the discoveries and build the industries that will transform our economies and bring hope to the neglected and marginalized peoples of our world. Large parts of Africa still suffer from severe poverty, hunger, disease and migration.

As we look to the next generation to tackle some of the difficult long-term challenges facing our planet, such as climate change or food security, we need to take action now on one critical façade, youth unemployment (WB, 2013). The jobs crisis affecting young people is a global problem, but nowhere is it more acute than in Africa. Although African governments are implementing various programmed to not only for lost opportunity, but for political instability and economic chaos (UN, 2008).

According to (Krafft, 2013) , show that for male youth in Egypt, returns to training outside, the educational system exceed returns to achievement of vocational secondary school, which is generally held to be low quality. One of the main messages of this year's (WB, 2013), indicated that jobs are essential to social unity. Jobs not only convey a greater sense of dignity and

belonging in society, but also encourage voice and participation (WB, 2012). young men is not merely economic necessity, but it often stems from the need to compensate for the lack of trust, support, and social ties that exclusion from productive opportunities brings about (Bell, 2010). Lack of jobs can result in reduced trust and lower levels of civic engagement and as recently demonstrated in the Arab Spring, can lead to social unrest and violence. Lack of job opportunities for youth is associated with crime and gang-related violence.

In Africa, there are some 200 million youth, comprising more than 20% of the population. Ethiopia has the largest youth population in Sub-Saharan Africa. More than half of its population is under the age of 25 years and 20% are between 15 and 24 years. Furthermore, this proportion is gradually increasing, having grown from 14% in 1984 to about 20% in 2005.

According to (Jairo, 2008), explained that youths in Africa leave school early and enter the labour market unprepared. This in essence hinders their contribution to economic growth, thereby establishing their vulnerability to poverty. As well as (Ngo, 2010), described that poor young people in Kenya to be helpless, frustrated and dangerous. In addition to this he explained that most policy makers in African perceive young people as being economically inactive since bulk of them lack employment in the formal sector. Youth work in informal sector such as petty trading, working in households, as well as in family based enterprises. According to the Minister of Employment and professional training of Ethiopia, there are two million unemployed youth in the country based on a study conducted in 2007, with one million youths thought to be employed, been actually underemployment.

## **2.4 Youth entrepreneurship in Ethiopia**

There is no agreement upon definition on the term youth across countries of the world. The UN (United Nations) defines youth as individual aged between 15 to 24 years old. The African Union defines youth as individual aged between 15 to 35 years old. For the sake of international agreement, this document employs the UN definition of youth. Experience of many African countries indicated that different ranges have been used in defining youth.

Taking in to consideration the age ranges given from different countries and the objective conditions prevailing in our country, and in order to mobilize and utilize the potential capacities and competence of youth for building of a democratic system and development purpose, the

youth policy define youth as who are between 15-29years (Ministry of Youth, Sports & Culture of Ethiopia, 2005).

Almost 90 percent of the world's youth are residents in countries where they can hardly access adequate education, capital, paid employments and health services. As the sizes of younger populations in Africa steadily swell to account the single largest category of age group, the likelihood of majority of these youth being absorbed within the formal economy is nearly nonexistent (DSW, 2011). Encouraging the integration of young people at work and improving their situation in the labor market are two of the main priorities of the Ethiopian government (TaYa), 2014).

Performance of youth owned and operated economic enterprises in general are of great importance in achieving high gross domestic product (G.D.P) in many countries. Young people form the foundation of a society's future. They represent inevitable transition between the children and the old (Chigunta, 2002). Thus, many nations are recognizing the importance of the youth in their development hence formulation of policies and programs to guide them. The European Union (EU), in recognition of the necessity of the youth in growth and development of a region met, thus the Council Resolution of 27 November 2009 on a Renewed Framework for European Cooperation in the Youth Field (2010-2018).

In Sub-Saharan Africa, access to funds by the youth is not guaranteed and therefore there have been reports of most youth-based small businesses failing in their first year due to lack of finance to sustain their development (Biekpe, 2004). The evidence supporting the view of youth access to business funds in youth enterprises as the engine of growth is in fact not conclusive. Thus, governments in SSA have continued to focus on enhancing access to funds among the youths to drive the small scale business sector to promote economic growth (Malonza, 2007).

FDRE, Ministry of Sport, Youth and Culture (2004) has ratified national youth policy as a tool to realize a vision of creating an empowered young generations who are equipped with all pertinent knowledge and skill build up on ethical integrity. According to the policy (2004), any youth program directed towards youth development is expected to enable youths to be acquainted with new discoveries, inventions and innovations.

Moreover, it asserts that any capacity building programs are intended to inculcate in the mind of youth of self-confidence, creativity and hard work (MSYC, 2004). Now days the current government of the land too has endorsed a five years long - term development plan which is currently on its stage II. One of the strategic pillar of the plan here too youth empowerment (MoFED, 2010). It asserts that youth program shall have strategic direction of producing innovative citizens who can contribute to the realization of the long term vision of making Ethiopia into a middle income economy (MoFED, 2010).

### **2. 4.1 Challenges of youth entrepreneurs in Ethiopia**

Despite recent years of strong economic growth in Ethiopia, the creation of decent employment opportunities for the growing numbers of young Africans remains an elusive development goal. Across the continent, most young people continue to eke out a living in the urban informal economy or in subsistence agriculture Edward D, (2009).

The majority of these are working poor since they do not earn enough to lift themselves and their families out of poverty. Beyond this aggregate picture, young women in particular face some of the greatest barriers to finding decent employment in African countries including Ethiopia because they lack experience, the necessary skills and suffer from discriminatory attitudes about their role in the workplace (YoWEP, 2016).

According to the World Bank's Enterprise Surveys, access to finance is perceived as the main business environment constraint by micro (41%), small (36%), and medium (29%) enterprises in Ethiopia, compared to a Sub-Saharan Africa average of 24%, 20%, and 16% respectively. Even if the country over the past decade, has achieved high economic growth, averaging 10.7% per year, establishing the country among the fastest growing economies in Africa and the developing world. However, Ethiopia is falling behind its peers in the area of credit to the private sector. This becomes one of the main challenges because addressing this financing gap and investing in women-owned enterprises/entrepreneurs is one of the highest-return opportunities available in emerging markets ( WB, 2014).

### **2.3.2 Opportunities of youth entrepreneurs in Ethiopia**

Youth development is a holistic process of positive change where youths get ready to see bright future as per the norms and values of their community (Marilyn N. Norman and Joy C. Jordan,

2012). In the last twenty years youth development has been considered as indispensable program to produce competent youth who are capable of challenging daily hassles and effectively participate in their community.

Over the last two decades the total labor force of the country has more than doubled, making a crucial challenge for employment creation in the country. Youth unemployment in Ethiopia (15-24 years) hovers around 24%. The main reasons for youth unemployment include limited expansion of formal employment opportunities, rapid population growth, rapid rural-urban migration, inadequate school curricula and low quality education, skills miss-match with the labor market, low level of entrepreneurship and empowerment for youth and women, and finally, lack of access to finance. Micro and small enterprises (MSE) have been identified by the Ethiopian government as important sources of employment and job creation, therefore the project main goal is to assist the Government of Ethiopia in its efforts to create employment for women and youth through the promotion of investment in the productive sectors of the economy, entrepreneurship development and women's economic empowerment Mulugeta, (2010).

To realize the vision of Ethiopia's Growth and Transformation Plan, and the role that a growing and dynamic private sector can play in its achievement, the Ministry of Urban Development and Construction and the Federal Micro and Small Enterprises Development Agency (FeMSEDA), in partnership with the United Nations Development Program (UNDP) Ethiopia, have launched an entrepreneurship and enterprise development program that fosters the emergence of a robust and competitive private sector.

The program will establish a semi-autonomous organization which will spearhead the implementation of innovative entrepreneurship skills training and provision of customized business development services to new and existing MSEs in the country (UNDP, 2012).

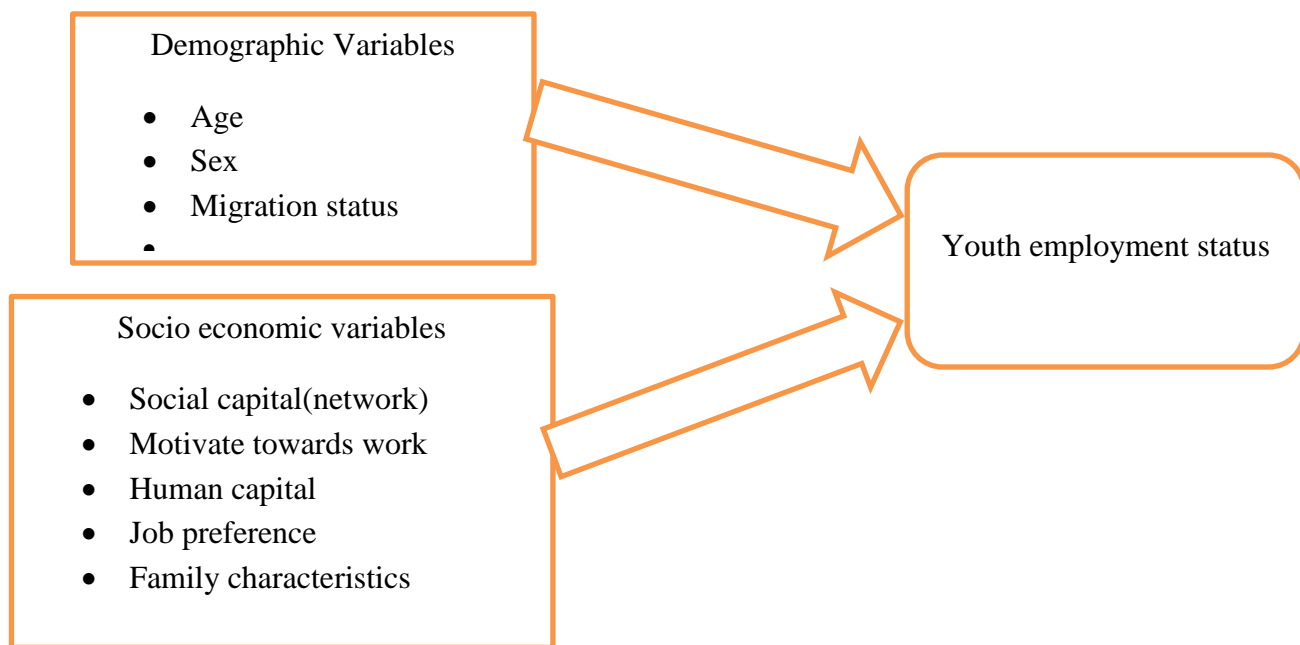
According to the Ministry of Youth and Sports (2016) it has prepared new youth development and growth package that enables to boost benefits of youth across the country. The minister noted that the new youth development and growth package is prepared taking experiences from the last shortcomings and strengths of the youth political and development

participation packages in the country. The new packages targeted to increase participation of youth in the development endeavors of the country.

## 2.5 Conceptual Framework of Study

Conceptual framework for this study was developed by researcher. The determinants of youth unemployment are categorized in to two major characteristics, i.e., demographic and socio-economic characteristics.

Fig2.1 conceptual framework of the study; schematic presentation of demographic, socio economic characteristics and employment status



Source; constructed by the author review of related literature, 2012

## 2.6 Empirical review

### The Challenges of Youth Unemployment

The challenges of youth unemployment is nowadays, major issues for developed and developing nation due to economic crisis since 2007 up to present. Numerous studies argue that youth unemployment and underemployment are threat to the social, economic and political stability of nations (Urdal, et al., 2012).In fact, political instability originates in high uncertainty which may decrease labor (Colino, et al., 2012).

Currently cause of youth unemployment for political instabilities in some countries such as Greece, Spain Tunisia, Libya and Egypt from North Africa. According to (Rodgers, 1989), described unemployment problem factors like selectivity among school leavers whose expectations aspirations are to gain modern sector employment in spite of the limited opportunities in the sector. According to (Lincoln, 2013), unemployment in Africa is associated with social, economic, political and psychological consequences. Psychological, unemployment usually experience trauma, anger, frustration, low self-esteem, negative life satisfactions, unhappiness and mental disorder including depression and acute stress.

### **The Challenges of Youth Unemployment in Africa**

As indicated by (Okojie, et al., 2003), the factors that have been identified to be major causes of high youth unemployment in Africa to be, rapid population growth, poor quality education, small private sector, and rapid rural-urban migration.

As explain by (Adejumola, et al., 2009), argue that, South Africa's pension grant frees up resources in house which allow prime age household members to make the required investment to migrate to find work in urban areas. (Franklin, 2012), show that government housing in South Africa frees female household members to enter the labour force, because the physical burdens of slum living were relieved. The major challenges of youth unemployment in Africa explained by different scholars as follows:

**Rural-Urban Migration:** (Todaro, et al., 1996) emphasizes that in spite of the contributory role rural –urban migration plays in the rise in urban unemployment, this mode of migration is not to be considered undesirable. Most youth move to urban areas in search of work but they are unable to find jobs due to lack of skills and work experience.

According to (David, et al., 2009), explained that the major demographic transition will happen in the African continent, mostly attributable to rural-urban migration with more than half of Africans residing in cities and towns in 2020. (Sinclair, et al., 1978) upholds that job opportunities and wage differentials act as motivations for rural exodus of unskilled labour in Ethiopia, and this has led to an increase in the proportion of urban poor.

**Rapid Population Growth:** (Okojie, 2007) , explained the problem of unemployment in Africa to be most profoundly felt by young people in the continent who constitute the bulk of the population, as much as 50% in most countries. The Economic Commission for Africa (ECA) outlined that most African countries are characterized by high youthful population. According to (UN, 2009), report stated that Africa has the world's youngest population with 43% being under 15 years. It further points that a youthful population constitutes both an asset as well as a source of social vulnerability.

**Poor Education Quality:** According to (Murray, et al., 2004), cited the education quality as a factor that affects labour market integration of young people in Africa. In the 1960s many African countries undertook major educational expansion but it slow down in the 1970s and decline in the 1990s. (Semboja, et al., 2013), in line with this that bulk of young people in East Africa lack the necessary education, information and relevant training for productive jobs.

**Stagnating Economies:** According to (Chigunta, et al., 2002), identified stagnating economies to be one of the major factors behind the challenges of high youth unemployment in Africa. He explained that young people are finding it difficult to be employed largely due to the stagnating formal sector, with school graduates staying at home without gainful or productive employment. (David, et al., 1996), view most, African countries to be plagued with rapid population growth and stagnating economic.

## **The Challenges of Youth Unemployment in Ethiopia**

Unemployment and underemployment is a major challenges and cause for a socio-economic problem in Ethiopia. Evidence from East Africa show that in the 2004 crisis also shows that, where unemployment is widespread, workers are often forced to accept dangerous working conditions, as new jobs tend to be lack of formal sector benefits (SKnowles, et al., 2005). Youth employment is challenge to Ethiopia the country faces growing youth landlessness in rural areas and insignificant rural job creation, potentially leading to an increase in migration to urban areas (WB, 2007).

The lack of employment opportunities for Ethiopian young people is among the critical development challenges facing by the country and a key barrier to national efforts toward the achievement of the Millennium Development Goals (TaYa), 2013). The potential causes of

unemployment in Ethiopia particularly in urban area increasing number of youth labor force, the rising internal migration, literacy rate, poor to modest macroeconomic performance, low level of job creation and low level of aggregate demand in the economy (Deribe, 2015).

Most of the studies give a narrow view of the labor market – few studies tend to concentrate on the incidence of unemployment in specific categories, such as urban youth unemployment (Serneels, 2004; WB, 2007). The policy aspect of labor market is found to be less explored in the literature at least in the context of Ethiopia. The radical policy and administrative reforms that were undertaken in Ethiopia since the 1990s are expected to significantly affect the conduct and performance of the labor market. The impact of these policies needs to be analyzed in order to either deepen the reforms or replace them with other, more effective policies that improve employment and thereby also promote economic growth and create a stable social and political environment in the country.

## **2.7 The Implication of review**

The challenges of youth unemployment is nowadays, major issues for developed and developing nation due to economic crisis since 2007 up to present. As indicated by (Okojie, et al., 2003), the factors that have been identified to be major causes of high youth unemployment in Africa to be, rapid population growth, poor quality education, small private sector, and rapid rural-urban migration.

Therefore according to our country there are few studies that address the employment challenges in Ethiopia. The objective of this study is to provide a policy analysis of the employment situation and challenges in Ethiopia. The study tries to give a brief insight into the unemployment situation in Ethiopia and the response to it from both demand and supply side of the labor market, as well as labor market institutions. Specifically, the study attempts to assess the existing employment policies and major intervention tools used in employment policy implementation, as well as other interventions aimed at creating job. And then it discusses the role of labor market policies in explaining and solving the unemployment problem. The study also looks at the status of labor market institutions and suggests different strategies for strengthening the institutions in order to minimize the problem which affect the labor employment creation in Ethiopia.

## Chapter Three

### 3. Conclusion and Summary

#### 3.1 Conclusion

Generally, the impact of youth unemployment the government should be considering as a current national issues. So that, public and privates sectors and non-governmental organization it needs to be responsible to care to reduce the effect of youth unemployment. Challenges of youth unemployment currently lead to violent against the government because of instable rural urban migration and other issues crisis impose heavy social and economic cost.

Many young people said that there are no multiple alternatives to create their own businesses to solve their temporary problem and lack of opportunities challenges of youth unemployment of the in the Ethiopia. Nowadays, youth have better opportunities to get education and vocational training and choice to do on their interest and potential. The implication of unemployment for young people leads to poverty, migration to urban areas, rising criminals rate in the town, lack of youth participants and low morale values among young peoples.

Several factors contribute to the causes of youth unemployment such as poor economic performance, low level of education, high population growth, lack of entrepreneur, motivation, skills mismatch and other factors challenges for current young people in the study area because the involvement of public and private sectors are not bring any new reformation to mitigated the problem of youth unemployment.

International and national forum does not bring any change rather than propagandas. The current Youth Policy (long-term benefits) approach meets the expectation of Medium Term Development Goals and the Vision 2030 developmental Pillars are not achievable in Ethiopia due to the mismanagement to implement the benefit of young people and inequality resource distribution.

In Ethiopia there is some reformation to empower youth economic activities by creating micro entrepreneur and facilitating other opportunities in urban areas. However, these improvements are not good enough and insignificant changes in Ethiopia.

Most of young people dissatisfaction with the current policy of youth because of the government failed to create opportunities and empowering youth in multidimensional. The situation is aggravated particularly for women and migrants of young people from rural-urban in the town. The impact of youth unemployment the government should be considering as a current national issues. So that, public and privates sectors and non-governmental organization it needs to be responsible to care to reduce the effect of youth unemployment. Nowadays, youth have better opportunities to get education and vocational training and choice to do on their interest and potential.

To address the problem of youth unemployment in the town, a comprehensive strategy of employment creation seeks to promote job creation in the public, private sector, and also in terms of promoting self-employment and entrepreneurship.

## References

- Abiy, (2014). *Contribution of Youth Programs for Life Skill Development The case of Addis Ababa Youth Association, Lideta Sub City.*
- Adebayo, A. (1999), *Youth unemployment and National Directorate of Employment self-employment Programs. Nigerian Journal of Economics and Social Studies, 41(1), 81-102.*
- Berhanu D., Abraham T. and Hannah D. *Characteristics and Determinants of Youth Unemployment, Underemployment and Inadequate Employment in Ethiopia.*
- Borjas, G. (2004), *Labour Economics (2nd. Ed). Boston: McGraw-Hill Companies.*
- Chigunta and F. *The Socio-Economic Situation of Youth in Africa: Problems, Prospects and Options. [Conference]. - Alexandria: Paper presented at the Youth Employment Summit, 2002.*
- CMPI media, 2016. *Ethiopia's Economic Growth as Model for Africa.*
- Colino, A and O. *Conflict Resolution Processes, Uncertainty and Labor Demand'. [Journal]. - [s.l.]: Journal of Peace Research, 2012. - 661 - 670: Vol. 49(5).*
- CSA. *The 2006 Urban Employment and Unemployment Survey. [Report]. – Addis Ababa: CSA, 2006.*
- Curtain. *Indicators and measures of youth unemployment. [Book]. - Australia: University Austral of Canberra, 2004. - Vol. 67(1).*
- Dantwala, M. (1971), *The Definition and Measurement of Unemployment in Developing Countries pp. 29-39.*
- David and Harvey. *Social justice and the city. [Journal]. - [s.l.]: Revised Edition University of Georgia Press, Athens & London, 2009. - 231 -278: Vol. 321(2).*
- DC: WB, 2007.
- Edward D, 2009. *Challenges and opportunities facing African entrepreneurs and their small firms.*

*Falae, S.O. (1971) Unemployment in Nigeria. Nigerian Journal of Economics and Social Studies 13 (1) 65.*

*Gedif Tessema, 2015. Assessing the challenges of youth entrepreneurship in micro and small scale enterprises: The case of north Gondar zone, Ethiopia*

*Guracello. The Economic Returns to Investing in Youth in Africa. [Report]. - Washington, DC: WB, 2007.*

*Igbinovia, P. (1998). Perspectives on Juvenile Delinquency in Africa. International Journal of Adolescence and Youth 1(2) 131-156.*

*International labor Organization (ILO) (2004). Global Employment Trends for Youth, Geneva: International Labor Office.ILO.*

*Jo [et al.]. Local government, poverty reduction and Inequality. [Journal]. - [s.l.]: Johannesburg in Environment and Urbanizes Poverty Reduction Urban, 2000. - 26 -46: Vol. 11(2).*

*Knowles, J and Behrman. The Economic Returns to Investing in Youth in Developing Countries. [Report]. - Washington, DC: Report World Bank, 2005.*

*Lincoln. The World's Youth Unemployment 2013 Data Sheet. [Journal]. - [s.l.]: Washington, DC: Population Reference Bureau, 2013. - 64 - 87: Vol. 54(2).*

*Ministry of Youth, Sports & Culture of Ethiopia. (2005). National youth policy. Retrieved on March 14, 2014.*

*MoLSA (2009). National Employment Policy and Strategy of Ethiopia. Policy report Ministry of Labour and Social Affairs, Addis Ababa, Ethiopia.*

*Mosel, L and Sarkar. Impacts of the Global Financial and Economic Crisis on Child Labor and Youth Employment. [Book]. - Geneva: ILO, 2009.*