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# Situation Analysis of Youth Unemployment and Job Creation Status in Ethiopia

A Senior Essay Submitted to the Department of Governance and Development studies in Partial fulfillment of the requirements for the Bachelor degree of arts in Governance and development studies.

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**DECLARATION**

We, undersigned, declare that this senior essay is our original work that has not been presented by any institution or individual and that all of its sources are dually acknowledged.

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## *Abstract*

*The purpose of this research is the situation analysis of youth unemployment and job creation status in Ethiopia. The study to address the following specific objectives to examine to analysis causes of youth unemployment and to explore social, economic, psychological and legal consequences of youth unemployment. The study was used qualitative approach. The data was collected by through secondary sources of data, the data was collected by through secondary sources of data. The finding of this study shows that poor educational system, lack of training facilities, bad leadership are the causes of youth unemployment.*

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**Acronoyms**

**AU**-African union

**CSA-**central statistical Agency

**ECA-**Educational credential Assessment

**GDP**-Gross Domestic product

**GYD**-Guyanese Dollar

**ILO**-International labor organization

**MYSC**-Minister of youth, sport and culture

**NGO**-Non-governmental organization

**PLC**-Programmable logic controller

**UK**-United kingdom

**WB**–WorldBank

# CHAPTER ONE

## 1. INTRODUCTION

### 1.1 Background of the study

Unemployment is one of the critical socio- economic problems facing the world, especially the least developing countries like Ethiopia, while the labor force growth is adequate to observe labor market entrants as result people are more affected by unemployment. According to Rafic (2010), unemployment is one of the most consistent problems in both developed and developing countries. There is different cause of youth unemployment in our country like lack of good skill, low job creation, lack of available job. Unemployment implies the failures on the factor of the production for reducing economic growth (ILO, 2012).Moreover unemployment(joblessness)as defined international labor organization occurs when people is without job and they have actively searching work An individual said to be unemployment it has to be people without work ,search job and willingness to work.(ILO,2013).

There are also external factors that affect youth to mention a few shortage of foreign exchange, balance of payment problem and unfavorable term of trade that aggravated unemployment (Tekle, 2002). African countries defined youth as someone as young as 15 to someone well in to their mid-thirties, which varies from the standardized definition of the United Nations. Africa has the youngest population of youth unemployment there is particularly relevant. Approximately 200 million in Africa are between the age of 15 and 24 (Gary, 2009).

Currently many developing countries like Ethiopia are experiencing unique combination of massive rural urban population movement, stagnation of agricultural productivity and are one of the critical socio economic problems facing the least developing countries. The seriousness of problem may vary from one country to another. But it is concern of both the developed and developing nations. High level of unemployment is one of the socio-economic problems facing Ethiopia. Unemployment is a problem for both developed and developing countries. However the impact and intensity might differ. According to Rafik et al. (2010), unemployment has been the most consistent problem in both advanced and poor countries.

As a result, youth are especially affected by unemployment. Moreover young people are more likely to be employed in job of low quality and worked long hours for low wage and engaged in dangerous work (CSA, 2004).The problem of youth unemployment becomes even more challenging when it comes to a developing countries like Ethiopia with land area of 1.1 million square kilometer and a population 106 million (50.46 male and 49.54 female) in 2010/11. Ethiopia is the second populous country in Africa next to Nigeria (CSA, 2010). Owed to uncompromised population growth and weakly performing economy, the number of unemployed youth is alarming. The lack of employment opportunity for Ethiopian young people is a man the critical developed challenges facing the country (Lorenzo & Furio, 2011).

The selection of this range is based on ground objective reality in order to mobilize and utilize the potential capacities and competence for development demographic causes is the major reason observed to regard the above specific age group as the country's youth (MYSC, 2010).Despite the recent economic growth witnessed in Ethiopia, youth unemployment is high and rising (Martha, 2009). According to Martha, it is not to say that the government is not doing what it thinks it has to. In this regard, Ethiopia is one of these countries that face the complex social problem like massive unemployment particularly youth unemployment.

Youth unemployment has several social, economic, legal, and psychological effects on the unemployed youth. Socially, it results in discrimination, loss of social relationship, conflict, and increase individualism. Economically, poverty, unable to meet basic needs, poor living standard, waste of human resource and shortage of income. Legally, it results in disturbance of peace of society and government at large, and law breaking or try to satisfy and their basic need through illegal means. It has also psychological consequences such as hopelessness, felling of inferiority, depression and loss of self-confidence (Birrt, 2010). This study will attempt assess of youth unemployment on job creation Ethiopia

### 1.1.2 Statement of the problem

Being one of the dominant social and economic problems facing our world, youth unemployment prompted several enquires. Studies by Lorenzo and Furrio,(2007), Peter (2008) Neil, Paul, Brhemie, Katy and Nye (2012) focus on labor side analysis aiming for a demand base analysis on the issues. Zenebe( 2006) and Aselefew (2011) studied the role of labor market entrant for the accumulation of youth unemployment in urban areas. Evidently, poor absorption capacity of the economy, combined with high rate of rural-urban migration is the prior cause. Peter (2007) discover the nature of unemployment among young people in Ethiopia and finds that it is concentrated among relatively well-educated first-time job seeker to aspire to a public sector job and spend average close to four years in unemployment. On other hand Jeni (2005) observes youth unemployment and the labor market based on peculiar experience only stylized in Ethiopia. They both conducted that improving economic performance, multi sectorial initiative and better information could act in reducing the problem of youth unemployment. The presence of youth unemployment in Ethiopia, There, are so many causes of unemployment like weak educational system of the area, rural-urban migration, lack of job opportunity, and lack of available job .

## 1.1.3 Objective of the study

### General objectives

The general objective of the study is to assess the situation of youth unemployment and job creation status in Ethiopia

### Specific objectives

- To assess the major causes of youth unemployment in Ethiopia.
- To identify the magnitude and basic features of youth unemployment in Ethiopia.
- To examine the role of governmental and private sector in job creation for the youth.

### 1.1.4 Research Question of the study

Based on the objection of the listed above, the researchers will try to answer the following research question:-

1. What is the response of government for youth unemployment?
2. What are the factors that increase the youth unemployment?
3. What are the negative impacts of youth unemployment for economic, social and Political development?
4. What are the moral impacts of youth unemployment?

### 1.1.5 Significant of the study

The study has significant by which we will find out how the unemployment is affect the educated youth and what are its causes and consequences. It will be an input for those interested to conducted study on unemployed youths. The study is also important to support unemployment youths by giving information for the governmental administration about unemployed and enforce administration to give support for unemployed youth in Ethiopia. .

### 1.1.6 **Scope the study**

The scope of the study will be in Ethiopia on the situational analysis of youth unemployment and job creation status to minimize the challenges of unemployment, to explore major causes of unemployment, to identify magnitude and basic features and to create job opportunity for the youth in Ethiopia through organization of the youth to work together by borrowing money from financial organization, promoting the youth by training them to give awareness about the situations which challenges the government to employee the youth and creating cooperative environments to reduce the challenges.

## 2.1 Research Methodology

To manage this study effectively and together adequate the researchers would have employed qualitative research approach. This approach, according to Burke (2007), is the only method of qualitative providing a more elaborated understanding of the phenomenon of situational level of youth unemployment and job creation in Ethiopia. as well gaining a greater confidence in the conclusion generated by the evaluation of the study. Qualitative approach would used in this study. This method refers to the review of existing information from different written materials in relation with the concepts. On the other hand, summarizing what was heard during the discussion in to words, phrases or patterns are the major task that could be accomplish in qualitative data approach.

### 2.1.2 Description of the study Area

Ethiopia is located in North -East of Africa bordering Sudan, South Sudan, Kenya, Somalia, Djibouti and Eritrea. Ethiopia is one of the oldest independent nations in the world. Ethiopia has a land size of 1,140,330 km2 (435,186 sq miles). Ethiopia is the largest land-locked country situated in the horn of Africa. The topographic features range from a high plateau with Central Mountains divided by Great Rift Valley. The highest peak at Ras 'Dashen' is 4,533 meters above sea level, down to the 'Dankil' Depression in Afar at 110 meters below sea level. The climatic condition varies between temperature of 47 0 C in the Afar depression to 10 0 C in the highlands. It is the second most populated nation in Africa with population of 94 million (2015 est.), and 13th in the world. The young and productive age accounts for 60% of the population. Ethiopia is considered as a gate way to Africa as it is a seat for AU, ECA and many international organizations: the political capital for Africa.

## 2.3 Research Design

The researcher is use the descriptive approach because to describe and explain the cause and consequence of youth unemployment in Ethiopia .The description is done by using qualitative approach this make researcher more clear and understanding for both researcher and readers.

Research design is a plan on how the study would be undertaken (Berg, 2010). The research design indicates whether to use descriptive methods to describe the cause and consequence of youth unemployment. In this study the research is used to gain understanding of youth unemployment and job creation in Ethiopia.

## 2.4 Research approach

The study is focus on qualitative approach. Qualitative research is a types of scientific research. In general term, scientific research consists of an investigation that, seeks answer to a question, systematically uses a predefine set of procedure to answer the question, collect evidence, produces findings that were not determine in advance. It focuses in what, where, when how often and how long social phenomena occur. It provides insight in to the problem or helps to develop ideas or hypothesis for potential qualitative research.

## 2.5 Data sources

For this study, the researchers used secondary data sources in order to gather the targeted information from research and written documents.

### 2.6 Secondary data source

The secondary data source was gathered from Books, Magazine, Newspaper, Journals and articles and other related research outputs.

### 2.7 Organization of the study

.The study comprises three chapters. Chapter one discusses the background, statement of problem, research objectives, research questions, the significance of the study ,scope of study ,research methodology, for undertaking this research project. Chapter Two discusses about

theoretical framework, empirical research, lesson learned from the review. Chapter Three about conclusion and summary.

# CHAPTER-TWO

# 2. Review of related literature

## 2.1. Unemployment

The ILO definition of unemployment that comprises three conditions: being without work, currently available for work, and actively seeking for work has been criticized for its rigidity to accommodate peoples temporarily laid off or peoples discouraged of job prospects (Izzi 2013:104). Therefore, this study has used a more relaxed concept of unemployment that includes not only persons without work, currently available for work and actively seeking for jobs, but also those who wish to work but discouraged to actively seek for work.

### 2.1.1. Employment

Employment is an agreement between an individual and another entity that stipulates the responsibilities, payment terms and arrangement, rules of the workplace, and is recognized by the government

### 2.1.2. **Major cause of youth unemployment**

**Poor educational system:-**Especially in Africa the education structure is not beneficially to the prevailing economic activities outside students system. It does not provide useful skills to students and molding professional. Theory is what is being taught instead of practical such education system just impact literally and general education without sufficient practical content. The end result of this system is an individual whose skill does not consist of industrial skill; it produces many graduates with non-transferable skill. Furthermore, in the all-inclusive policy at secondary and college levels has increased unemployment among the learned that are only fit for common white collar employment rather than self-employment (Daniel, 2013)

**Lack of training facility:-**Another vital cause of youth unemployment is due to absence of training facilities and sufficient vocational guidance. As previously listed, Africa's education system is flawed as it poorly provides academic knowledge that is not work oriented. Hence, this creates the need for establishment of several technical facilities and other work oriented courses

at this village level, many students in Africa, particularly those in the rural areas, still remain obvious to the possible employment venues and also choice of work (Daniel, 2013)

**Bad leadership:-** lack of unemployment is also linked to the bad leadership and corrupt attitude of individual in power ,Moreover, there is a lot of many embezzlement and power retention by policy makers in the education and sector. This means funds require for improvement of education are diverted for selfish personal use. Hence the educational sectors remain largely undeveloped (Daniel, 2013).

**Demographic change:-** The young people in the population was often referred to as an indirect determinant of youth unemployment according to Freemans analysis, an increase in relative number of youngsters has a positive impacts on the youth unemployment rate. Location problem can also account for miss match of supply and demand for skills. There is a high cost associated with out of town job search and employment (Fre, Wise, 2008) .

### 2.1.3. Types of youth unemployment

Unemployment (joblessness) occurs when people without work and actively seeking work (ILO, 1982). According to Pieter (2010).Economists sometimes distinguish between different types of unemployment. There is different classifying unemployment but the following is quite common.

**Fractional unemployment** –individuals that are temporarily unemployed while transiting between jobs or just entering the labor market. This kind is typically short in duration but always present in a market economy.

**Structural unemployment-**individuals those are unemployed because their skills are no longer in demand where they live. This kind typically leads to longer spells and may require the unemployed to acquire training or to more.

**Cyclical youth unemployment-**is unemployment due to recession or poor economic performance.

**Classical youth unemployment-**unemployment due to real wage is being too high (for example. through minimum wage laws).

**Definitions :** youth unemployment is the unemployment of young people defined as 14-28 years old (UNWYR,2012).unemployment person is defined as someone who does not have job but it is actively seeking work .in order to qualify as unemployed for official and static measurement ,the individual must be without employment ,willing and able to work of the officially designated working age and actively searching for a position (Andy,2012).Youth unemployment rates are historically four to five times more than the adult rate in the every country in the world. In 2012 youth made up to 40% of unemployed with global youth unemployed rate 12.6% close to 75 million youth were unemployed worldwide (Hannan, 2012)

Unemployment is a means in which people who are qualified for a job, willing to work and willing to accept the going wage rate but cannot find job without considerable delay. Full unemployment is the lowest possible employment rate with the economy growing and all factors of production being used as possible (Olsson, 2009) but, Natural rate of unemployment (equilibrium) is defined as when the unemployment rate at which there niter excess supply in the over labor market, or it will occur in the long run if expected and actual real rates inflation equal (Dustin, 2012).

Voluntary unemployment is a way individuals increase their personal earning and is part of the process through which society enhance its real output and income (Tejvan, 2008), in opposite this, Involuntary unemployment is unavoidable by product of changes in population shifts and technological advance. These changes create structural mismatches between labor demand and supply and require adjustments in the allocation of labor resources occupations and regions to other (Olsson, 2009).

### 2.1.4. Social problems of unemployment

Unemployment affects not just the person himself but also his/her family and in the long run the society where he lives. Unemployment brings with it despair, unhappiness and anguish. It forces people to live their lives in a way they do not wish to – The life expectancy is negatively affected. Life expectancy is the ease by which people living in a time/place are able to satisfy their needs/wants. Here are the main aspects:

1. **Social costs:** Rising unemployment is linked to **social deprivation**. For example, there is relationship with crime and social dislocation including increased divorce rates, worsening health and lower life expectancy. Regions that suffer from persistently high long-term unemployment see falling real incomes and a widening of inequality of income and wealth. The recent figures on poverty in the UK are testimony to the social damage that high unemployment can have.
2. **Mental health:** Mental health problems like: Law self-confidence, feeling unworthy, depression and hopelessness. With the lost income and the frustration involved in it, the recently unemployed may develop negative attitudes toward common things in life and may feel that all sense of purpose is lost. Frequent emotions could lead to low self-esteem, inadequateness and feeling dejected and hopeless
3. **Health diseases :** The unemployment overall tension can increase dramatically general health issues of individuals
4. **Tension at home:** Quarrels and arguments at home front which may lead to tension and increased numbers of divorces
5. **Tension over taxes rise:** Unemployment also brings up discontent and frustration amongst the taxpaying citizens
6. **Insecurity amongst employees:** The prevailing unemployment and the plight of the unemployed people and their families may create fear and insecurity even in the currently employed people
7. **Crime and violence:** Increase in the rate of crime and violence in the nation
8. **Suicide cases:** Increase in the rate of suicide attempts and actual suicides as well
9. **Social outing:** Unemployment may bring a decrease in social outings and interactions with other people, including friends
10. **Stigma:** Unemployment brings with more than just 'no work'. It also brings with it the disgrace that the person has to bear. Nobody likes to be termed as unemployed

### 2.1.5. Economic problems of Unemployment

Some of the well-known effects of unemployment on the economy are:

1. **Loss of income:** Unemployment normally results in a loss of income. The majority of the unemployed experience a decline in their living standards and are worse off out of work. This leads to a decline in spending power and the rise of falling into debt problems. The unemployed for example may find it difficult to keep up with their mortgage repayments.
2. **Negative multiplier effects:** The closure of a local factory with the loss of hundreds of jobs can have a large negative **multiplier effect** on both the local and regional economy. One person's spending is another's income so to lose well-paid jobs can lead to a drop in demand for local services, downward pressure on house prices and 'second-round employment effects' for businesses supplying the factor or plant that closed down.
3. **Loss of national output:** Unemployment involves a loss of **potential national output** (i.e. GDP operating well below potential) and is a waste of scarce resources. If some people choose to leave the labor market permanently because they have lost the motivation to search for work, this can have a negative effect on long run aggregate supply and thereby damage the economy's growth potential. Some economists call this the "hysteresis effect". When unemployment is high there will be an **increase in spare capacity** - in other words the **output gap** will become negative and this can have deflationary forces on prices, profits and output.
4. **Fiscal costs:** The government loses out because of a fall in tax revenues and higher spending on welfare payments for families with people out of work. The result can be an increase in the **budget deficit** which then increases the risk that the government will have to raise taxation or scale back plans for public spending on public and merit goods. The problems facing the UK government at the moment are closely linked to the surge in unemployment

**Unemployment financial cost**

The government and the nation suffer. In many countries the government has to pay the unemployed some benefits. The greater the number of the unemployed or the longer they are without work the more money the government has to shell out.

**Spending power**

The spending power of an unemployed person and his/her family decreases drastically and they would rather save than spend their money, which in turn affects the economy adversely.

**Reduced Spending Power of the employed**

Increased taxes and the insecurity about their own work may affect the spending power of the working people as well and they too may start to spend less than before thus affecting the economy and also the society in a negative manner.

**Recession**

With the increase rates of unemployment other economy factors are significantly affected such as: the income per person, health costs, quality of health-care, standard of leaving and poverty**.**

## 2.2. Political impact of youth unemployment

Adams (2007:5) argued that to realize "political impact and social instability that leads lack of political participation and decision making on youth and programs should be limited to improve young people access to education; they cannot equally give emphases on enabling schools to prepare young people for the world of work. In the current Ethiopian human capital development more emphasis was given to the quantity than the quality. In addition to the expansion of government owned higher institutions with limited education facilities, unregulated and poorly inspected private colleges has exacerbated deteriorating quality of education**.**

> Unemployment may also have a political effect on youth. Previous spell in unemployment has a discouraging effect on future participation in the labor force, earnings and welfare in general (Haile, 2003)

### 2.2.1 Job creation

Job creation is the process by which the number of jobs in an economy increases. Job creation often refers to government policies intended to reduce unemployment .job creation programs may take a variety of forms .for example ,a government may lower taxes and reduce regulation to make hiring less expensive. On the other hand, a government may hire workers itself, for

example, to build a road. Job creation is necessary because, the more people work the more the economy become stable. Job creation is notion that jobs are created in response to some sort of event or situation .

### 2.2.2 The role of government in job creation

In 2009,a report ,training for employment ,was presented to the international labour conference (ILO 2009)recognizing the role played by both government and private enterprise in promoting and undertaking training .It also stressed the growing role of different types of labour market information and ,in particular suggested the employment services provide more vocational guidance . Moreover the role of government in job creation is to setup productive center where the youth should go and access free training on how to setup small scale enterprise and the role of government is provide more access to basic education and invest more in vocational training and the education system .This shall also help them with startup capital solution, hence enabling them to create their own small scale business

### 2.2.3 The role of non-governmental actors in job creation

According to Dejene (2014) in Ethiopia , the role of non government have contributed to the countries socio-economic development and welfare in many ,different ways more than 270 local and international NGOs have reached up to 15% of the total population . They run about 576 projects with running cost and investment outlays amounting to 2.5 billion Birr.NGOs in Ethiopia have built up valid development experience ,especially create job with poor categories of people such as the landless, cattle less ,widows and orphans ,in ways that are complementary to state and private sector activity (Belshaw and coyle 2001

### 2.2.4. Empirical Review of youth Unemployment in Ethiopia

This topic of the study will cover topics about the finding of different researcher about the situation analysis of youth unemployment and job creation status in Ethiopia.

Youth unemployment is one of the dominant socio-economic challenges facing Ethiopia. A report from ILO, confirm that youth unemployment is a serious issue where almost two thirds of the population is younger than 25 years. Distinguished unemployment is a feature of the rural

labor market while open unemployment is prevalent in urban areas. Indeed, Ethiopia has one of the highest urban unemployment rates worldwide, at about 50 per cent of the youth labor force (ILO,2010**).**

with many difficulties when it comes to their integration in the labor market and their search for decent and productive jobs. Youth unemployment, which is substantially higher than As citied by GYD consulting PLC (2010), young people in Ethiopia are confronted global adult unemployment, has been growing in the last decade. In spite of the dramatic economic, social, and political consequences of Ethiopia youth employment problems, few studies focus on this population (WB,2009). Historically, Ethiopian youth were not up to a great start. Taye(2008) suggested that as war torn country as it was, Ethiopian youth has been through a lot. It goes without saying that decades long chaos shaped the thinking and cognitive constructs of the youth significantly. To make matter worse, the socialist policy followed under the Derg regime further killed of any remaining motivation and creativity to be productive and rich. The desire to be successful is the best instrument to be changed and change the country. The ages old dead spirit needs to be worked up with strong motivation and hard strive from the government. As cited by Nzinga & Tsegaye(2010), agriculture is the largest sector in the Ethiopian economy contributing over 40 per cent to Gross Domestic Product (GDP), 60 per cent of export, and employing approximately 85 percent of the country's population (World Bank, 2012). Services constitute the second largest component of GDP, also contributes a little over 10 percent. In recent years Ethiopia has sis played remarkable economic growth and substantial decreases in poverty (Woldechanna, Hoddinott & Decron, 2008).

## 2.5 Implication of the study

In this research paper we learned about the cause and consequence of youth unemployment and job creation status in Ethiopia. In this lesson we learned how the problem of youth unemployment is solved and methods of job creation status on unemployed youth. There are many unemployed person who are living in Ethiopia. The cause of youth unemployment are lack of good skill, low job creation and lack of available job and for this cause, in this lesson we are learned simple solution for youth unemployment, for example the role of available job creation is

one of the crucial or important point and the other one is borrowing of funds from government to achieve the available job for unemployed youth in our country.

# 3.CHAPTER THREE

## 3.1. CONCLUSION

Youth are the future hopes of any country .Youth unemployment is one of the most serious socio –economic problems in the world .In this regard various studies have been conducted so far in order to analyze factor that are responsible for unemployment among youth .The outcome from these works is varying . this study deals with the determinants of youth unemployment and constraints they face in creating their own jobs in Ethiopia . For this purpose a 2015 urban Employment _unemployment survey of central statistical Agency is used. That shows unemployment rate various among regions, sex marital status and education level As regard to constraint to self-employment the study indicates that shortage of finance and lack of work place are the major challenges in this regard .Therefore, government and all concerned authorities should consider the seriousness of regional location education and marital status while making public policies and directions to overcome the problem of unemployment and its far reaching consequences. Besides that the government should work to create suitable condition: so that

youths create their own jobs .Provision of finance (in the form of credit ),work place and training on entrepreneurship are important .

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