Ethiopia

December 2021

Scoping Report

CHALLENGE FUND FOR YOUTH EMPLOYMENT

Contents

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The Challenge Fund for Youth Employment (CFYE) is a 6-year programme funded by the Netherlands Ministry of Foreign Affairs, managed by Palladium, VSO Nederland and Randstad.

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List of Acronyms

BDS	Business Development Services
CFYE	Challenge Fund for Youth Employment
CRGE	Climate Resilient Green Economy
CSA	Central Statistics Agency
EIC	Ethiopian Investment Commission
FDI	Foreign Direct Investment
FTE	Full Time Equivalent
GDP	Gross Domestic Product
GoE	Government of Ethiopia
GTP	Growth and Transformation Plan
IAIPs	Integrated Agro-Industrial Parks
ICT	Information and Communications Technology
IPDC	Industrial Parks Development Corporation
JCC	Jobs Creation Commission
LWB	Living Wage Benchmark
MSMEs	Micro, Small and Medium Enterprises
NQF	National Qualifications Framework
PDC	Planning Development Commission
RuSaCCos	Rural Saving and Credit Cooperatives
SMEs	Small and Medium Enterprises
TVET	Technical and Vocational Education and Training
TWh	Tera-watt Hour
YAR	Youth Action Research

1. Why this report?

1.1 Who are we?

The Challenge Fund for Youth Employment (CFYE) is a 6-year programme funded by the Netherlands Ministry of Foreign Affairs. Launched in 2019, our multi-country challenge fund supports employment opportunities for young men and women in Africa and the Middle East. The management of the CFYE is contracted to Palladium, Randstad and VSO.

The aim of the CFYE is to create economic prospects – via decent work and income – for 200,000 young men and women in the Middle East, North Africa, Sahel/ West Africa, and the Horn of Africa. It strives for improved opportunities on work that is productive and offers a stable income, with safe working conditions and social protection. In total, the fund co-invests approximately 70 million euro in youth employment creation projects in about 15 countries.

Each country has its own specific challenges around youth employment, and each its own unique opportunities to solve them. This report presents an overview of the key findings of the scoping study that was carried out for Ethiopia. It is intended to be used as a key tool to guide prospective applicants in the design of relevant project ideas. The fund will launch a call for proposals in Ethiopia by January 2022.

1.2 How does it work?

Private sector, civil society and knowledge institutions are invited to submit proposals for initiatives to address specific challenges framed around creating scalable solutions for more and better jobs for the youth. Solutions will be built around integrated approaches designed to bridge the mismatch between the demand for high quality jobs and the supply of skilled labour. They will be aligned with the aspirations of young women and men in the regions.

In general, we provide co-funding of 10-50% to projects that create, match or improve at least 250 jobs. The minimum co-funding of CFYE is 100,000 EURO, meaning total project budgets should equal at least 200,000 EURO without a maximum value at this stage.

Technical support will be available for applicants throughout the process. The Fund Manager will organise physical and virtual information sessions for potential applicants. Interested parties are welcome to contact the Fund Manager to discuss ideas and seek guidance or support for concept note development. Once projects are selected for implementation, tailored technical support will also be made available to maximise delivery of results.

1.3 This scoping study

This scoping study aims to identify the nature of the employment challenge at the individual country level. We do so by describing the different domains of the labour market that can provide decent, inclusive and sustainable work for Ethiopian youth. These domains are labour demand, job-related skills, culture and social norms, matching, and business support (see Figure 1 to the right). Each domain is analysed in its own section in Chapter 4.

The overall objectives of this research and the CFYE's scoping studies in general, are twofold:

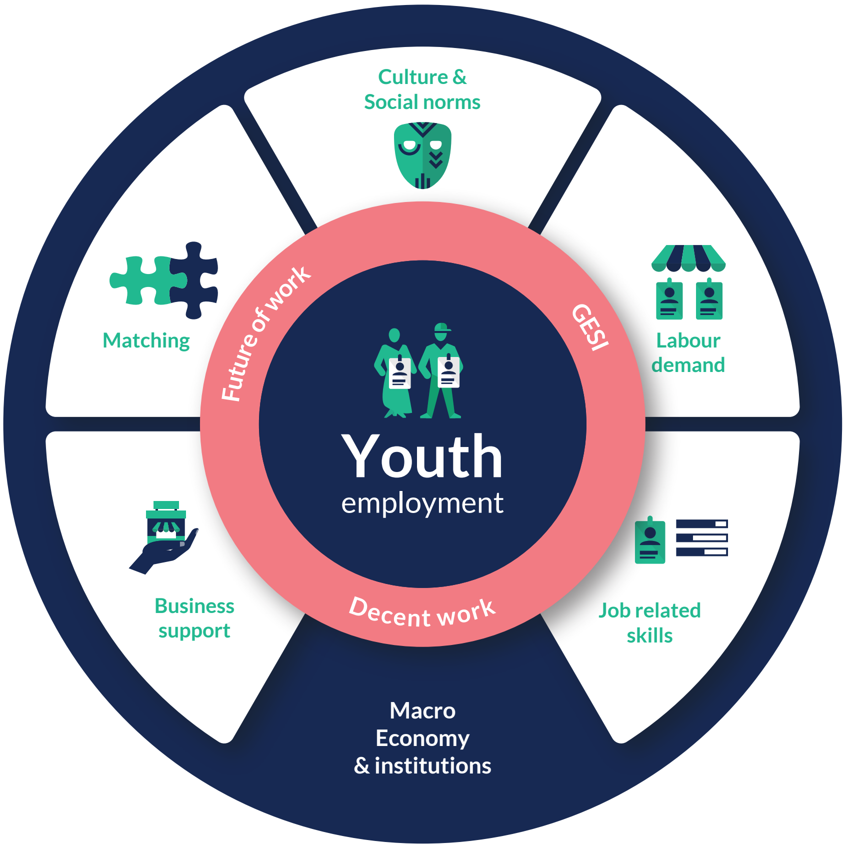
1. **Technical:** An analysis of the challenges and opportunities within these domains, which has been used to formulate an evidence-based, contextually responsive and demand-driven call for concept notes.

2. **Marketing**: the scoping research also has a strong marketing aspect as it enables the team to promote the Challenge Fund and engage directly with stakeholders to generate and discuss ideas.

We realize that this report only provides a snapshot of the structural issues that underpin employment challenges, and that this is a non-exhaustive review of the literature as well as the stakeholders engaged. We do hope its insights provide a building block on which applicants are encouraged to build their own analysis and research.

In our evaluation, we will look at the extent to which applicants have created a direct link between the project they aim to launch and the challenges identified in this report.

Figure 1. Key domains of the youth labour market



1.4 Methodology

To inform the formulation of an Ethiopia-specific Call for Solutions, a team of consultants conducted scoping research from September to November 2021. Our combined international and local research team used a combination of research methodologies to validate and fine-tune the findings presented in this report, including:

- Extensive literature studies;
- 30 interviews with employers and facilitators;
- Youth Action Research (YAR) consisting of 112 in-depth interviews on youth aspirations and a quantitative survey involving 71 youth (see Annex 1 for additional info)
- Living Wage Benchmark (LWB) exercise to determine living wages in urban and peri-urban areas (see Annex 1)

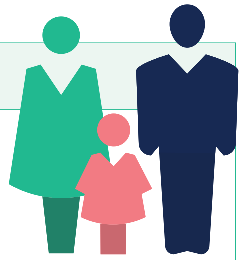
The following chapters present an introduction to the youth employment problem in Ethiopia (Chapter 2), an introduction to the different youth profiles we observed (Chapter 3) as well as key observations in the six domains influencing the employment ecosystem (Chapter 4). We summarize our findings in Chapter 5 and introduce the related Call for Solutions in Chapter 6.

2. What does the problem look like?

Broadly speaking, the labour market in Ethiopia is characterized by high levels of subsistence employment, widespread and minimally productive self-employment, and very low levels of wage employment[1].

The statistics below provide a general overview of the labour force development and give an introductory insight in the youth unemployment challenge in Ethiopia.

Table 1. Key statistical figures and unemployment data



Total population[2]:		***Youth between 15-34***		
Last census (2007) 73.8 million Projected: 105 million in 2022 136.8 million in 2037		Last census (2007): 25.7m (35%) Projected 2037: 49m (36%)		
Year	***2018***		***2019***	***2020***
New entrants to job market	2 million per year with 2.5 million back-log of unemployed in 2018[3]		2 million	2 million
New jobs created	5.6 million jobs created in 5 years (2014-2019) out of which 300k were in manufacturing[4]			Unknown
Formal wage employment (non-farm)[5]		***Informal employment (including self-employment)***		
National level= 10% Urban= 37% Rural = 2%		National[6]= 90% Urban= 63% Rural= 98%		
Formally employed youth	***Un-employed youth[7]: National (2019)***	***Informal employed or self-employed youth in urban areas[8] (2020)***	***Unemployment in urban and rural areas[9]***	
Waged-employment is just 10% nationally	15-24 ages: 12.2% 25-44 ages: 9% 45-64 years= 4.9%	Self-employed= 36% Informal= 16%	Rural (Feb 2021): 12% Urban (February 2021)[10]: 23.1%	
Unemployment amongst young women (15-29)				
Rural (Feb 2021) [11]: Female= 16.4%; Male= 7.4%		Urban (February 2021)[12]: females= 28.8%; males= 15.9%;		

1 JCC (2020). Plan of action for job creation 2020-2025
2 CSA (2013). Population projections for Ethiopia: 2007-2037
3 JCC (2020). Plan of action for job creation 2020-2025
4 World Bank (2021). Ethiopia Employment in urban and rural Ethiopia. © World Bank
5 Ibid
6 Derived figure based on World Bank (2021) data on wage employment
7 World Bank (2021). Ethiopia Employment in urban and rural Ethiopia. © World Bank
8 Ibid
9 CSA (2021). Ethiopia 2021 labour force and migration survey: Key findings
10 CSA (2021). Ethiopia 2021 labour force and migration survey: Key findings
11 CSA (2021)
12 Ibid

3. Who are the youth?

In the local context (as far as official government policies and reports go), the youth comprise those persons in the 15 to 29 years age category.[13]

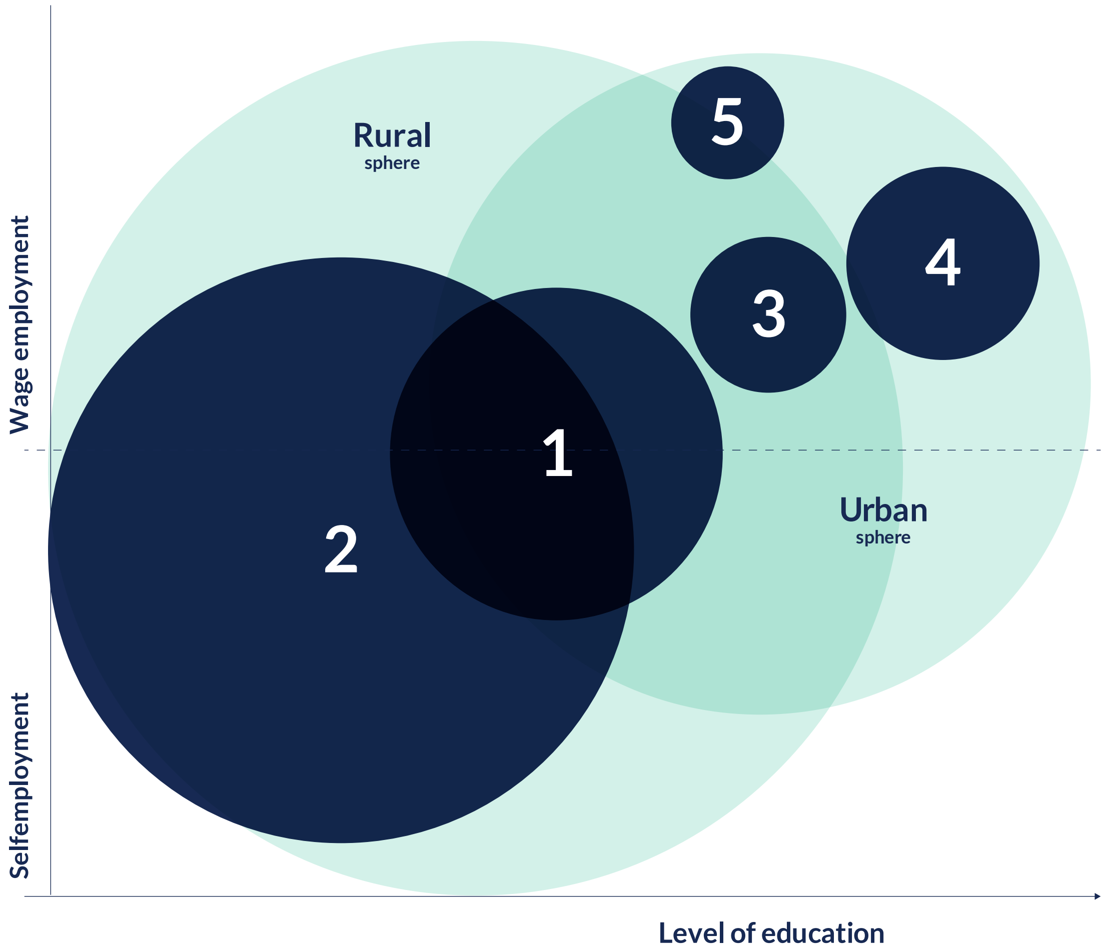
Although that is the official definition of the youth in Ethiopia and most statistical data are available for this age group, please note that CFYE defines youth as any young men and women between the ages of 18 and 35.

As the discussion in the previous chapter suggests, the youth in Ethiopia is not a homogenous group. Further sub-divisions can be made, among others, on the basis of: those who live in urban and rural areas; female and male; age group sub-divisions within the 15-29 range; level of education and skill sets; and aspirations.

Our scoping study grouped the youth into five categories to create a structured understanding of key challenges and opportunities encountered by Ethiopian youth. All categories are eligible beneficiaries for our Call for Solutions.

These five categories of youth and their specific employment challenges and opportunities are described in the following pages. Their estimated size compared to the total youth population is presented in the Figure 2 below. Annex 2 provides the assumptions and data sources on the basis of which the size of the population of the five categories was determined.

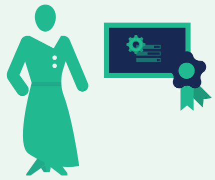
Figure 2. An impression of Ethiopia's youth based on key characterisations



13 See for instance CSA (2013), CSA (2020) and CSA (2021)

Table 2. Five key categories of youth and their (un-) employment profiles

Category description	*Employment profile*	*Key challenges and recommendations*
 ***Category 1: Marginalized, vulnerable youth with a distance to the labour market;*** Typically, youth with little to no formal education, young mothers from poor backgrounds, persons living with a disability; most youngsters in this category have multiple vulnerabilities and the majority struggles to earn a living in their daily lives. *This category represents an estimated 31% of the young men and women.*	***This category of youth experiences additional challenges to find employment compared to their peers. They are most commonly either unemployed or find informal self-employment. With the huge oversupply of labour, employers tend to prefer to work with young employees that do not have these additional challenges.*** *Frequently observed employment options for this category, among others, include working in petty trade, micro-enterprises, and selling handicrafts.*	*Challenges* - Have little or no access to information on potential job opportunities - Existing job opportunities do not meet their unique needs in respect of their (low) education levels, disability status, need for flexible working hours - Uneven job competition grounds: forced to compete with-able bodied peers or exposed urban youth *Recommendations* - Improving access to information on job opportunities - Promoting inclusion and safe and flexible working environments
 ***Category 2: Rural-based youth with only/mostly access to unsustainable self-employment options but no additional social or physical challenges;*** These young people generally live in peri-urban areas and often engage in agricultural activities. The highest level of education for most of them is either secondary school or certificate-level courses. This group would benefit from training opportunities to boost their skills and enhance access to entrepreneurship and employment opportunities. *This category represents an estimated about 38% of young men and women.*	***The bulk of youth in this category live in rural areas hence have limited access to employment options. They are mostly engaged in informal, self-employment-*** *mainly in subsistence agriculture, petty trade or as artisans.* ***The small minority who lives in peri-urban areas practise*** *informal self-employment such as in petty trade, micro-enterprises, daily labour (mostly in construction),* ***as artisans or as domestic workers.*** Generally, these jobs in both rural and peri-urban areas tend to be unstable (seasonal, susceptible to the ill effects of climate change or opportunity-based); hence, the youth in this category often look for multiple sources of income, which are not up to living wage standards.	*Challenges* - Lack of information on available opportunities both for employment and own business start-ups. - Nepotism, tribalism and corruption in recruitment - Poor access to finance (uncollateralized) to start own businesses *Recommendations* - Setting up information hubs: on available jobs or "opportunity studies" for own-business start-ups - Demonstrating the business case of "off-farm activities" and incentivizing the youth to engage in this sector - Improving access to finance: un-collateralized loan on demonstration of project viability

Category description	*Employment profile*	*Key challenges and recommendations*
 ***Category 3: Youth with a Technical and Vocational Education and Training (TVET) background and the ability to become technical craftsmen;*** This is the category of youth who are self-employed or employed and have studied in the area of mechanization, welding, plumbing, electricians, beauticians or similar vocational courses. *This category represents an estimated of about 11 % of young men and women.*	***The youth in this category live in all areas- urban, peri-urban and rural areas. Due to the huge labour demand-supply gap, the youth in this category struggle to find formal, waged jobs in their field of study.*** *Hence, the majority are self-employed and work as plumbers, electricians, in furniture making, metal products fabrication, hair salons, as tailors, automotive maintenance, and in construction work.* Those who land a formal job in their field of study work in SMEs, the manufacturing sector or in the formal construction industry. Still others, who have not found salaried employment or not started own micro-businesses in their field of study, work in the informal sector, e.g., in petty trade.	*Challenges* - Lack of confidence hinders TVET youth from applying for jobs: fear of employer expectations and standards. - Little or no access to hone practical skills (lack of apprenticeship opportunities) - Mismatch between supply and demand on occupational standards (TVET training does not fully reflect industry needs) *Recommendations* - Soft-skills training including on industrial ethics, communication and entrepreneurship - Systems for coaching and career guidance (at TVETs an at the work-place) - Strengthening apprenticeship systems (systematic not random) - Creating an enabling business environment for start-ups through enabling government systems and policies - Implementing the NQF and defining market-related occupational standards for TVETs
 ***Category 4: University-educated youth based in urban areas;*** With huge growth in the number of graduates entering the labour market every year, finding a salaried job is extremely competitive and even more so in one's field of study. The youth in this category aspire to find formal employment or successful self-employment. *This category represents an estimated of about 20 % of the Ethiopian young men and women.*	Due to the huge labour demand-supply gap, the youth in this category struggle to find formal, waged jobs, especially in their field of study. This problem is compounded as a great majority (70%) studied science and engineering fields owing to previous higher education policy directions whereas the manufacturing and technology sector is not creating sufficient jobs. The majority who could not land a formal job engage in self-employment (both informal and formal). *Informal employment could be in micro enterprises or other businesses (e.g., operating a RIDE taxi). Others work in small businesses*, which they have established in their field of interest or otherwise (formal). The few who succeed to find formal jobs work both for the public and private sector.	*Challenges* - A sizable number of youths passed through the 70-30 university enrolment quota and found themselves in an over-supply of certain professions (mostly engineering and science) for which there are little jobs. - Most vacancies require prior work experience (almost none asking for fresh graduates) - Non-transparent and corrupt hiring practices: nepotism, discrimination on ethnic lines or along gender (women) *Recommendations* - Regularly evaluating the revised rule (55-45 enrolment quota as of Dec 2019) to align with the NQF and occupational standards (due to be launched) - Apprenticeship and Internship opportunities - Enforcement of existing laws on recruitment; employers to institute and up-hold a strict Code of Practice

Category description	*Employment profile*	*Key challenges and recommendations*
 ***Category 5: Youth employed in an industrial park;*** The industrial parks include those developed by the federal Industrial Parks Development Corporation (about 12 of them currently), private industrial parks already operating and the three newly inaugurated, integrated agro-industrial parks. The majority of the youth who work in the industrial parks fit the following profiles: young women (ages 18-29); often having migrated from rural areas into towns in which the industrial parks are located; with education levels of majority elementary and high-school attendance. *This category represents an estimated of about 1% of young men and women.*	***The youth in this category mostly hail from rural areas in search of jobs at the Industrial Parks, which are established in urban and peri-urban areas.*** *The majority work in the garment and textile industrial parks* operating in Addis Ababa and other major towns mostly in the low-to-medium skill jobs (on the sewing machines or as machine operators). *Others work in the private industrial parks which house factories manufacturing textile, garment, leather goods, metal, chemical and other products.* A small number of youths in this category are finding employment in the three integrated agro-industrial parks, which were only recently inaugurated.	***Challenges*** - Mostly young rural women with little know how on industrial work culture - Struggle to cover the constantly rising expenses for housing, food and other expenses with the wages they earn from the factories - Additional work-place challenges for women workers: no guidance on reproductive health, lack of day-care facilities, toilette facilities and changing rooms are not always sufficient ***Recommendations*** - Availing soft-skills training on industrial ethics, communication - A minimum wage regulation for Ethiopia (government); living wage benchmarked salaries (employers, voluntary) - Employee wellness programmes at the work-place (safety, health, psycho-social, financial)

Our Youth Action Research clearly showed that Ethiopian youth have diverse aspirations and expectations when it comes to their own future, mostly influenced by their location and education.

The key findings of the YAR on aspirations of young people in urban and peri-urban areas are summarized in table 3.

"My physical disability came once by a car accident but I don't let it break my dreams. Whatever people say: I believe that I am not disabled, and I can do what everyone can do."

– Abel, 25 (not his real name) to the YAR team

Table 3. Youth aspirations in urban and peri-urban areas- Findings from the YAR

General aspirations
• The youth aspire to set up own business. A few who already have small businesses did not employ staff yet. • The most popular areas for youth-led business incubation are agri-business, waste recycling (green projects) and Information and Communications Technology (ICT)[16]. Some seek to engage in freelance businesses, for instance in tour operator or guides; • Those who were already employed in their field of study aspired to pursue along that line; these were mainly from the engineering and accounting professions. • Those who consider a salaried type of employment aspire for their jobs to provide financial security through an "adequate" salary, opportunities for professional development and jobs that are well matched with their passion or interest; • Others were modest in their ambitions willing to take a job as long as it could provide "good" income and were less concerned in the particular sector of employment;
Suggestions by the youth linked to their aspirations
• Those who prefer own businesses aspire for government and schools to support an environment of youth entrepreneurship by providing small start-up loans and ensuring the youth are equipped with the right skills in school to run their own successful businesses; • The youth also emphasised the need for "accessible jobs" which they describe as free from corrupt and discriminatory hiring practices; the youth who are actively looking for jobs want to get an understanding of regional, national and international employment markets and seek basic guidance in how and where to apply;
A snapshot of location- or sector specific insights
• In the garment making profession, girls hailing from urban areas (particularly Addis Ababa) appeared more inclined to pursue a career in fashion design in which they perform well.[17] • University graduates in the technology and engineering field, taking employments in the manufacturing sector, would like their supervisors to be patient with them and give them time to adjust and learn.[18] • TVET and university students would like to be given apprenticeship opportunities by companies, especially those training in the technical fields.[19] • Young mothers working in the manufacturing sector would benefit from availability of day-care facilities and flexible working hours as the traditional (three-) shift system is inconvenient especially for breast-feeding mothers.[20]
Youth perspectives on the importance of decent work elements
• In addition to the aspirations and suggestions related to sectors and type of work, interviewed youth also expressed aspirations on the notion of "decent work". The youth's key needs are visualized in Figure 3, ranging from 'need to have' at the bottom to 'nice to have' at the top of the pyramid.

Figure 3. Decent work as understood by Ethiopian youth

The findings from our youth action research clearly indicate that each young man or woman has different experiences and options when it comes to accessing the labour market. Below we tell the story of two of our interviewed youth.

 Category 2 *Rural-based youth with only/mostly access to unsustainable self-employment options but no additional social or physical challenges*	 Category 4 *University-educated youth based in urban areas*
Kale'ab Abuye is a 24 year old man, who lives in Sebeta town, Hawas woreda. Kale'ab, studied only till 10th grade because of the death of his parents and because of financial problems he faced as a result. He has been unemployed for more than five years now. He works in any kind of temporary job to survive. He is still searching for a permanent job. Kale'ab says the biggest challenge for him and also for the youth in his community to get jobs is not having the opportunity to study in formal education, ethnic based employment culture in his woreda, lack of accessibility of jobs. Now he is taking a short-term training in photo and video editing. His future dream is to open his own photo studio. He says that it is good if the government or financial institutions lend the youth who want to start their own businesses some starting capital without collateral.	Abel Meseret is a 27-year-old man based in the capital, Addis Ababa. Abel has a university degree in engineering and after graduating he worked for Ethiopian airlines for 3 years. He has both work and voluntary experience. He has been seeking employment but has been unsuccessful for a while now. He feels this is because of too much competition among youth applying for jobs in the capital and the impact of COVID-19 on his industry.

CFYE seeks to build a balanced portfolio of submissions mirroring the five youth categories. Applications covering all five categories are eligible.

However, for this first call for solutions, we focused pipeline building on applicants in the urban and peri-urban areas with emphasis on University and TVET educated youth (category 3 and 4 and, to a lesser extent, category 5 as well). This allows us to securely establish the CFYE brand in Addis Ababa and other major towns; and put time and effort to understand the youth employment challenge from this perspective first before venturing into rural areas as well. We expect this approach to lead to a significant number of relevant project ideas due to any of the following reasons:

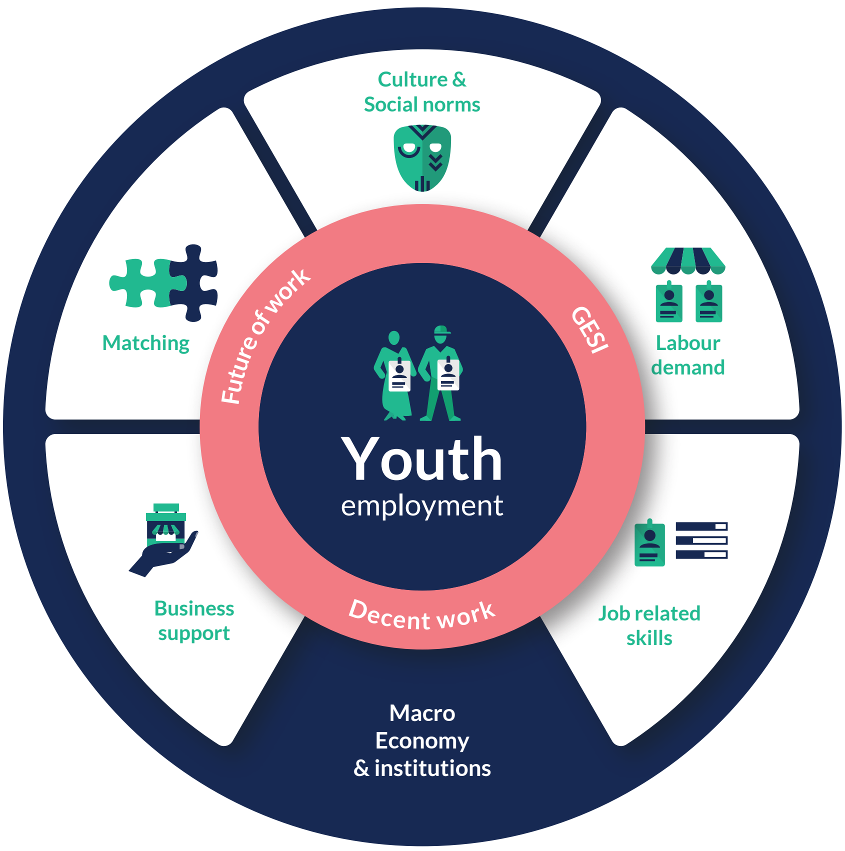
- private sector investments are concentrated in urban and peri-urban areas;
- category 3 and 4 youth, for the most part, are also located in these areas and comparatively better educated than category 1 and 2 youth; and
- category 5 youth are already working in the industrial parks and have gained some practical experience.

However, the CFYE encourages companies and consortia to submit proposals focussing on category 1 and 2 youth – notably youth with a disability- at this stage as well.

4. What are the main obstacles and opportunities for youth employment?

This section maps out the challenges and opportunities of the five domains of the labour market: labour demand, job-related skills, culture and social norms, matching and business support. A sixth overarching domain will refer to any challenges at the level of the macro-economy and institutions.

This will help inform which types of challenges need to be handled for any development intervention to bring about the most meaningful impact. It will provide concrete guidance on the focus and type of CFYE co-funded interventions, ensuring they are likely to meet their objectives and increase access to decent employment for youth in Ethiopia.



4.1 Macro-economy and institutions

Ethiopia's economy saw strong growth averaging at 9.4% per year in the ten-year Growth and Transformation Plan (GTP) period of 2010/11-2019/20140; it slowed to 6.1% in 2019/20 due to COVID-19.15

The government is committed to oversee sustained economic growth. Indeed, Gross Domestic Product (GDP) is projected to grow by an annual average rate of 10% during the ten-year Perspective Development Plan period of 2020/21 to 2029/30 (henceforth referred to as PDP-10). The 2021 Projected Real GDP (% Change) according to the IMF is 2.0.[16]

Both the literature and the interviews indicate the economy is already showing signs of recovery from the ill-effects of COVID-19. The latest World Bank economic update which has researched the subject, concludes, "In Ethiopia, the adverse impact of the COVID-19 pandemic on economic activity is expected to continue in FY 21, prior to experiencing a rebound in FY22 and beyond."[17] Annex 3 provides a more detailed assessment of the impact of COVID-19 on the economy and household income levels.

Lacking economic growth has resulted in insufficient number of (quality-) jobs create over the last years. Economic transformation is seen as key solution to stimulate economic growth by the Government of Ethiopia (GoE).

Ethiopia recently ushered in a new leadership, which is championing the new home-grown economy. The Planning Development Commission (PDC) spearheaded the formulation and approval of PDP-10 in that spirit. The country has also endorsed the national Plan of Action for Job Creation 2020-2025. Both place strong emphasis on the challenges of youth unemployment and the need to create jobs. The PDP-10 identified the following past major development challenges related to jobs and un-employment[18]:

1. **Failure to ensure quality economic growth**
   Although high economic growth has been registered over the past ten years, **there were gaps in terms of creating adequate job opportunities**, ensuring equitable distributions, ensuring structural transformations, and creating sectoral linkages and synergies;

2. **Rise in unemployment**
   The high economic growth registered over the past years **was not able to create sufficient job opportunities**, and failed to bring the desired increase in the standard of living for most citizens.

Indeed, actual job creation was not on a par with the demand. In the period 2014-2019, agriculture created 3.8 million jobs and the non-farm sector created only 1.7 million jobs.[19] That means, on average only 1.1 million jobs are being created per year and mostly in agriculture (compared to the Plan of Action's target of roughly 3 million jobs per year).

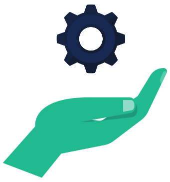
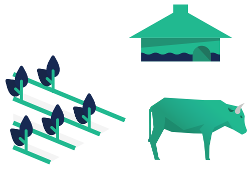
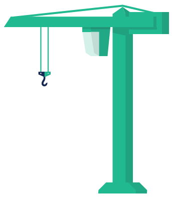
When it comes to the structure of the economy in terms of sector contribution to GDP and general labour demand, the services sector and agriculture are the key contributors.

In 2021, COVID-19 and the conflict in the Tigray Region posed challenges to many sectors of the economy. Tourism and the service sector have been significantly affected but also the manufacturing and construction sectors.

Table 4 describes the salient features of the four key contributing sectors.[20]

14 *The Growth and Transformation Plan (GTP) comprised two five-year periods. GTP I (2010/11-2014/2015) and GTP II (2015/16-2019/20. GTP II was replaced by the Ten-Year Perspective Development Plan.*
15 *The World Bank (2021). The World Bank in Ethiopia. Available on-line at: https://www.worldbank.org/en/country/ethiopia/overview#1*
16 *IMF (2021). The Federal Democratic Republic of Ethiopia. Available on-line at: https://www.imf.org/en/Countries/ETH*
17 *World Bank (2021). Ethiopia economic update: Ensuring resilient recovery from COVID-19*
18 *WENR (2018)*
19 *World Bank (2021). Ethiopia Employment in urban and rural Ethiopia. © World Bank*
20 *JCC (2019): Sector prioritization for job creation in Ethiopia*

Table 4. Key sectors of the Ethiopian economy

Service sector	*Agriculture*	*Construction and mining*	*Manufacturing*
			
The services sector contributes **39.2%** to the GDP. This sector has been growing at an average rate of about 10% in the period 2010-2018. Almost 35% of investment went into this sector (comprising about six sub-sectors with it). In terms of future job creation potential, customer service jobs in tourism and specialized jobs in the digital sector hold promises.	**Agriculture** contributes **31.7%** to the GDP and it has been growing at a rate of 4.9% per annum in the period 2013 to 2018. The key sub-sectors within the agriculture sector are horticulture/floriculture and livestock (including poultry). In terms of investment, the sector managed to secure 3.1% of all investments. The sector created 3.8 million jobs between 2014 and 2019 although that is suggestive of limited structural transformation actually happening with workers unable to move out of agriculture at large scale.[21] With an increased focus on manufacturing, the sector's share of GDP is expected to decline. However, there are potential areas for growth, mainly in export development in vegetables, fruits and livestock. Future job opportunities in this sector will therefore be linked with the increased focus on industrialization and specifically in agro-processing.	**The construction and mining sector** constitute **19.5%** of the GDP. Of that the construction sector is the largest contributing 19.3% to GDP; this sub-sector has also been growing at rate of about 26% and secured 15.5% of investments. On the other hand, the mining sector's contribution to date has been small; it accounted for only 0.2% of the GDP and actually contracted (by- 12.7%) and secured only 0.2% of investment. JCC's assessment indicates future opportunities lie in jobs with specialized skills.	**Manufacturing** contributes **6.8%** to the GDP currently. **However, it has been growing at a rate of 16.7% in the 2013-2018 period and secured 46.2% of the investment**. The most prominent sub-sectors within manufacturing are: textile and garments; leather; agro-processing (food and beverages); and chemicals and pharmaceuticals. The sector created about 1.4 million jobs in 2014 which grew to about 1.7 million jobs in 2019[22]; that implies it is creating an average of 60,000 jobs per year thus far. According to JCC's assessment the sector offers entry-level jobs in basic manufacturing industries. Forward looking, PDP-10 seeks to create a total of 5 million new job opportunities in the manufacturing industry during the ten years period by raising the number of job opportunities created annually from 175 thousand in 2019/20 to 850 thousand in 2029/30.[23]

Needless to say, national policy directions also place emphasis on the strong role the private sector needs to play in transforming the economy and in creating jobs.

Forward looking, and based on the experience of the GTP I and II periods, the PDP-10 has set the national objectives for economic growth. The following are the key targets[24]:

21 *World Bank (2021). Ethiopia Employment in urban and rural Ethiopia. © World Bank*
22 *Ibid.*
23 *PDC (2021). Ten years development plan: A pathway to prosperity 2021-2030*
24 *Ibid.*

- GDP is projected to grow by an annual average rate of 10% during the period;

- If this growth rate is realized and sustained, it is considered adequate to reduce poverty level from 19% in 2020/21 to 7% in 2029/30;

- Reallocation of the factors of production from low productivity to high productivity sectors, resulting in the economy's structural transformation from agriculture to industry and from construction-led to manufacturing-led economy;

- Enable the private sector to take the driving seat for economic growth and become the major source of development finance thereby ensuring structural transformation;

- For private sector to make 64.8% of the total investment and the balance (35.2%) to come from the public sector; and

- In terms of sectoral composition, agriculture, industry and service sectors are projected to grow by annual average rates of 5.9%, 13% and 10.6%, respectively.

When it comes to the economic transformation (i.e., towards a higher value economy led by the manufacturing sector), Ethiopia's strategy is to invest in Industrial Parks.

About 12 public, industrial parks have been established so far with a few private parks in operation as well. In addition, three Integrated Agro-Industrial Parks commenced operation in 2021. Although the jobs created so far by the public industrial parks are less than 100,000, there is potential for growth including within the agro-industrial parks.

However, as the key informant interviews and the literature indicated, industrialization in Ethiopia needs a "human face". Many work-place issues need to be addressed, especially for women. "Improve" is, therefore, one crucial area, which employers need to address, especially within the manufacturing sector.

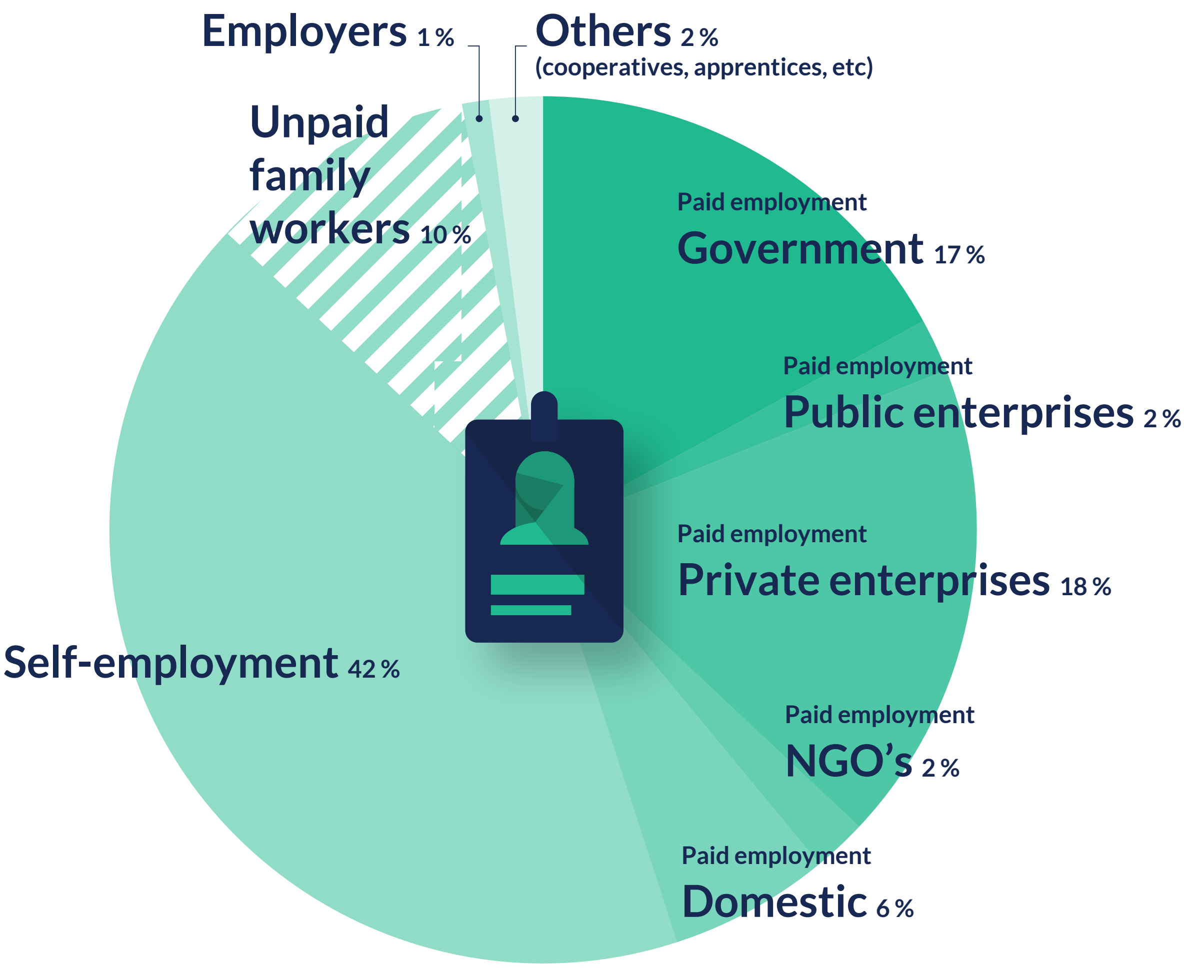
The GoE, through the ten-year Perspective Development Plan has also committed itself to oversee a continued annual GDP growth of 10% on average. In accordance with that, ***the National Plan of Action for Job Creation also forecasts 14 million new jobs to be created by 2025.***

4.2 Labour Demand

This section categorizes Ethiopian labour demand for youth and introduces the high potential areas of growing (young) labour demand. We will use these observations to determine the type of employment projects we think could positively impact Ethiopian youth employment. To this end, it is important to examine the current trends in job creation, including drivers.

Figure 4[25] depicts the range of employment models currently available in Ethiopia, categorized by locally relevant criteria. This classification is also commonly used by the Central Statistics Agency of Ethiopia in its flagship Urban Employment Unemployment Surveys. The detailed information behind this graphic is provided in Annex 4.

Figure 3. Key job types in Ethiopia



25 *Source: GoE (2009). National employment policy and strategy of Ethiopia*

Wage employment versus self-employment

The labour market in Ethiopia is characterized by very high levels of informal employment. Wage employment amounts to 10% nationally, 37% in urban areas and just 2% in rural areas.[26]

Urban self-employment is about 35% mainly found in small household-run enterprises or own-account subsistence activities.[27]

Regarding self-employment, the JCC makes the following assessments:[28]

- In 2013, 40% of employed was self-employed and 49% were working without monetary compensation-essentially outside the country's growth cycle;
- Self-employment [in Ethiopia] tends to correlate with low skill levels and lack of formal job opportunities;
- Even if self-employment is an expression of an entrepreneurial mind-set for some, evidence suggests that self-employment in Ethiopia tends to be a last resort rather than a choice; and
- Self-employed are over-represented in medium-to-low-skilled occupations and they tend to have low-skill levels to be engaged in the informal economy, in unproductive activities, and to near-subsistence levels of income.

Public versus private sector employment

If we compare public and private sector contribution to waged jobs, both sectors provide a similar share, i.e., 48% and 52% respectively.[29] The share of the public sector in total employment fell from 47% in 2014 to 36% in 2019.[30]

Although the public sector comparatively creates good jobs for workers, especially for tertiary levels of education, increasing fiscal pressures imply that public sector-driven model of jobs growth is no longer sustainable.

Despite being modest historically, overall private sector contribution to wage employment is slowly growing. The following figures are indicative of that:[31]

- The formal private sector added less than 0.5 million of the total 5.6 million jobs (under 10%) of the jobs created between 2014 and 2019;
- On the other hand, private sector wage employment in urban Ethiopia increased substantially from 47% in 2014 to 59% in 2019, reflecting Ethiopia's economic reforms in supporting private sector businesses;
- In line with this, the private sector contributed over 90 percent of the total additional wage employment (jobs) growth between 2014 and 2019.

Rural versus urban employment

The majority of the labour force is found in rural areas and engaged in agriculture; unpaid labour and self-employment predominate resulting in low levels of "traditionally captured" unemployment.[32] As such, in 2013, 82% of the rural labour force was engaged in agriculture.[33]

Employment in urban areas is naturally less dominated by agriculture, with the key employing sector being Services (54.3%), followed by Trade (17.6%), Agriculture (14.8%), and Industry including construction, mining and manufacturing (13.3%).

Labour demand per sector

"I graduated in engineering but I am not finding a job in my profession so I will work any type of job including shoe shining."

– *Yohannes (not his real name) to the researchers*

The CFYE has a specific interest in co-funding projects in sectors that, in general, can meet the following criteria:

- The sector has observed labour demand *(scoring: High or Medium)*
- The sector matches youth's (and young women's) skills and interests *(scoring: High or Medium)*
- The sector has the potential to create high productivity jobs without negative environmental and social impact *(scoring: High)*

26 *World Bank (2021). Ethiopia Employment in urban and rural Ethiopia. © World Bank*
27 *Ibid.*
28 *JCC (2020). Plan of Action for Job Creation 2020-2025*
29 *Ibid.*
30 *World Bank (2021). Ethiopia Employment in urban and rural Ethiopia. © World Bank*
31 *Ibid.*
32 *JCC (2020). Plan of action for job creation 2020-2025*
33 *Ibid.*

- The sector provides employment opportunities for youth with a variety of education levels *(scoring: at least 2 out of 3 types of educational background34)*

- The current size and development of the sector offers the potential for job creation at scale *(scoring: High or Medium)*

- The sector is (perceived as being) relatively gender-inclusive *(scoring: High or Medium)*

Sectors meeting at least 4 out of the 6 requirements are considered high potential sectors.

Based on the assessment carried out from the perspective of the CFYE, the sectors that are considered high potential employers for the youth are: Agriculture (horticulture and poultry), Manufacturing (textile & garment, agro-processing/ food & beverages), Services (Jobs Matching), the Digital Economy, the Green Economy (Renewable energy) and the Creative Industries.

Table 5 below provides a quick assessment of the employment potential of the various sectors. Annex 5 contains a more detailed explanation on the reasoning behind this scoring. The findings reflect the team's well-informed, personal assessments as described above and further informed by the YAR.

Table 5. Assessment of employment potential of shortlisted sectors *Legend: H=high, M=medium and L=Low potential.*

	No	Sectors	Total score out of 6	Labour demand	Youth interest, Women interest	High productivity No harm	Education level	Scale	Gender opportunities
★	1	*Agriculture/horticulture*	5	H	L-M	H	H, M, L	H	H
★	2	*Poultry*	5	M	L-M	H	M, L	M-H	M
★	3	*Textile/Apparel*	6	H	M-H	H	L, M,	H	H
★	4	*Renewable energy*	5	L-M	M-H	H	H, M	M	M
★	5	*Food & beverage processing*	5	H	M	M-H	H, M	M-H	M
★	6	*Digital Economy*	5	H	H	H	H	M-H	M
	7	*Waste management*	4	L-M	M	M	L, M	M	M
★	8	*Matching services*[35]	5	H	H	M-H	H, M	H	M-H
	9	*Training services*	4	L-M	M-H	H	H, M	L-M	M
	10	*Incubation*	4	L	H	L	H, M	L	M

34 Low= little to no education, Medium= practical education/TVET, High= University
35 The labour requirement for Matching Services is implied in the context of job seekers and employers.

In Table 6, we recap the underlying reasoning and outcomes of this scoring exercise.

Table 6. Growth and employment potential of economic sectors

1. Agriculture/ horticulture High potential	⧓ Agriculture continues to be a big contributor to GDP and employment in Ethiopia although its share is declining.[36] High potential for growth and employment is foreseen especially in the horticulture and poultry sectors. ⧓ According to Ministry of Agriculture, there were about 6.3 million farmers engaged in horticulture in 2018.[37] ⧓ According to JCC's projections, a total of about 1.05 million new, direct jobs could be created across the sector, including in seed and seedling production, agrochemicals spraying, crop production, and sorting and grading produce. Over half of the potential jobs created are expected to be suitable to the youth. ⧓ In addition, the sub-sector is expected to create **additional 3.1 million indirect jobs.**[38]
2. Poultry High potential	⧓ Ethiopia holds key advantages in the poultry sector, including a large livestock and large consumer market, low cost of production, and investment incentives.[39] ⧓ **The livestock sector (within which poultry is found) is projected to create about 2.21 million jobs by 2025** (550,000 new direct jobs and 1.66 million indirect jobs.[40] **A portion of this will come from the poultry sector** although data on that was not available at the time of this writing. ⧓ The Ethiopia Livestock Master Plan appraises the poultry sector favourably in respect of its potential to contribute to economic growth, income generation, improving nutrition, creating jobs and to the Climate Resilient Green Economy (CRGE) objectives.
3. Textile/ Apparel High potential	⧓ Both GTP II and the PDP-10 have prioritized the textile and apparel sector due to its labour intensity and high export potential. ⧓ Government incentives have also lured FDI companies to invest in Ethiopia especially in the industrial parks. Already in 2016, there were 20 Foreign Direct Investment (FDI) garment factories in Ethiopia all of which focused on the export market. ⧓ According to the National Plan of Action for Job Creation, this sector is projected to create a total of about **1.6 million jobs by 2025** of which about 683,000 would be new direct jobs (the balance being new indirect jobs).[41]
4. Renewable energy High potential	⧓ Ethiopia endorsed the Climate Resilient Green Economy (CRGE) strategy already in 2011. The CRGE has been one of the pillars of the GTP II and it is also one of the ten strategic pillars of the new ten-year development plan. ⧓ According to the Plan of Action for Job Creation, Electricity demand in Ethiopia grew from roughly 1.4 TWh in 2001 to around 9.5 TWh in 2017, in parallel with the country's growth in population and GDP. Nearly all of this was supplied from renewable energy sources as electricity is mainly generated by hydro-electric power stations in Ethiopia- which bodes well for the CRGE strategy.[42] ⧓ The sector is slated to create a total of about **80,000 jobs by 2025** out of which **10,000 are expected to be new direct jobs.**[43]
5. Food & beverage processing High potential	⧓ The food and beverage processing industry has the potential to be an important driver of agriculture productivity and rural economic transformation. ⧓ The National Plan of Action for Job creation estimates that the sector could create a total of **3.9 million jobs by 2025 out of which 1.2 million are expected to be new direct jobs** and the balance being new indirect jobs.[44]

36 Agriculture employed 73% in 2013 and accounted for about 67% of employment in 2018 (JCC, 2020).
37 JCC (2021). National Plan of Action for Job Creation 2020-2025
38 Ibid.
39 Ibid.
40 The Livestock sector employed about 2.9 million workers in 2013; between 2013-2018, employment grew by 33% and is expected to rise by an additional 14% by 2025 (JCC, 2020).
41 Employment in this sector was 798,000 in 2018 and forecast to grow by 86% through 2025 (JCC, 2020).
42 There are also wind-, geo-thermal- and solar power plants. Fossil fuel powered generators play a small role. Ethiopia's installed electric power generation capacity grew from 2GW in 2007 to 4.5GW in 2018.
43 The sector represented over 24,000 jobs in 2013 and about 26,000 jobs in 2018 (JCC, 2020).
44 The sector employed 843,000 workers (2013), and about 1.4 million (2018. Employment in this sector forecasted to grow by 86% by 2025 (JCC, 2020).

6. The Digital Economy High potential	⧓ Ethiopia's growth strategy relies on the digital economy both as a sector in its own right and as an enabler of growth across other sectors. To harness that potential, Ethiopia introduced its **Digital Ethiopia 2025 Strategy** in 2020. In line with that, the Digital Skills Framework has been drafted and approved by parliament. ⧓ According to the National Plan of Action for Job Creation, this sector is projected to create **a total of about 290,000 jobs** out of which only about 48,000 are expected to be new direct jobs. The balance of about **242,000 indirect jobs** is expected to be created as a result of the sector's high multiplier effect in other sectors. ⧓ The Digital Ethiopia 2025 strategy argues for an optimistic scenario: "capturing just 0.5% of the domestic retail online could create close to 100,000 jobs."[45] ⧓ In addition to the high potential for scale, the digital economy is a sector which the youth find interesting as it is generally viewed as trendy and innovative, with decent working conditions and formal waged opportunities.
7. Waste management Medium potential	⧓ The discussions taking place in the context of the CRGE strategy and Ethiopia's Nationally Determined Contribution (NDC) to the Paris Agreement are also relevant for the municipal solid waste sector. With a growing population and coupled with a rising consumer economy, per capita generation of municipal solid waste has been growing in urban centres. With that non-organic fraction (mainly plastics) constitute a sizable portion of municipal solid waste and urban litter (especially PET bottles and plastic bags). ⧓ Already, there are businesses engaged in the recycling of plastics, paper, metal and organic waste (composting). ⧓ The opportunity in this sector is both for scaling up recycling operations in Addis and other urban centres (although direct jobs per firm could be low) and importantly to improve the working conditions of the waste collectors. ⧓ Used as key input for the PDP-10, a Central Statistics Agency (CSA) report indicated that the green sector in general created about 1.3 million jobs in 2012. ⧓ The PDP-10's target for this sector is, "to raise the coverage of dry waste removal from 30% to 80% in towns with a population of over 20 thousand."
8. Matching services High potential	⧓ With a huge number of TVET and university graduates already in the labour market seeking for jobs, there is potential for matching services including scaling-up of e-jobs platforms to cover additional towns in addition to Addis Ababa.[46] ⧓ Although narrowing the supply-demand gap will definitely be a challenging task, there are plans by government, namely the Ministry of Science and Higher Education, which has embarked on a new plan to improve the employment of university graduates with an annual target of creating degree-relevant employment for 80% or above.[47] The Ministry of Labour and Social Affairs is also finalizing work to launch a Labour Management Information System (LMIS).[48] ⧓ Although quantitative data is not available on the potential demand from and for unemployed TVET and University graduates, qualitative information points to the huge opportunity for matching services.
9. Training services Medium potential	Like matching, training especially on soft skills including industrial ethics, communication skills (potentially also apprenticeship arrangements) have potential demand. Industrial parks are already benefiting from this kind of service, for instance the Hawassa Industrial Park. These services could be expanded to other industrial parks and employers. From a supply side, the expected customers are unskilled or semi-skilled youth seeking jobs in industrial parks as well as TVET and university graduates.
10. Incubation Medium potential	From a CFYE perspective, ideas which have graduated from an incubation phase and have turned into successful businesses could be potential prospects. Our interviews with blueMoon have indicated a few companies which could fall in this category. With that understanding and compared to the other sectors, the "incubation" sector is expected to be comparatively very small.

45 *FDRE (2020). Digital Ethiopia 2025: A digital strategy for Ethiopia inclusive prosperity*
46 *For instance, the Market Systems for Growth (MS4G) programme seeks to work to roll out e-Jobs Platforms to secondary cities (Interview with Lidya Argaw, Workforce Development Advisor, MS4G, dated 16.11.2021)*
47 *Tamrat, W. (2021). Plan to create degree-relevant jobs for 80% of graduates*
48 *The Reporter (3 July 2021). MoLSA to launch digital labor market platform*

4.3 Job-related Skills

***Ethiopian youth (ages 15-24) generally has limited education, as about 16% of the youth has still no formal education and 54% has at most an incomplete formal education*[49].** The reasons for dropping out of schools can be diverse and include inability to afford educational expenses, parents' low level of education, student involvement in income generating tasks, excessive involvement in family work, peer group influence, pregnancy, and, in a few cases, marriage. The biggest difference in access to education can be seen between poor and rich families and although progress has been made access to higher education is still a challenge for the poor. But we also see a difference between boys (46%) and girls (55%) who drop out of secondary school, which can be explained by reasons such as pregnancy or marriage as well.

Universities and TVETs have been rapidly expanding with significant growth in enrolment and graduation rates, of up to 13%[4] and 30%[5] per annum. The number of vocational students has more than doubled over the past years, from 106,336 (51.15%) to a record of 393,589 in 2012 but has been decreased to 352,134 (47.17% female) in 2015 (52.3% female)[50].

The number of graduates from Ethiopian universities grew is growing annually with 13%, with the 2016 value already standing at 862,137 (2016).[51] Although increasing education rates is something positive, it comes with increased challenges finding quality employment for the graduates. The limited cooperation that exists between industries and universities is one major issue, which universities are expected to address to solve the graduate unemployment problem.

As enrollment rates for a variety of education institutes have been increasing over time, institutes have been focusing more on the quantity of enrolments and not necessarily the quality of their education.[52]

The effect of that also shows in the transition from school to work. In the last years, unemployment rates have increased amongst those with higher education (20% in 1984 to 28.8% in 2005).[53]

Therefore, a stronger focus on quality is necessary to prepare youth for the labour market. The key action areas to improve quality of education, especially at TVETs and universities, is offering training on market-related technical skills (not just theory), providing training on communication and industrial work ethics, and also on entrepreneurial skills.[54]

TVET institutions in specific still face challenges when it comes to the delivery of high-quality training; for example, there are limited resources and facilities to actually practice skills and the practical skills taught are often quite generic.[55]

Other challenges of the TVETs institutions include theory-focused training, lack of competent instructors, focus on quantity instead of quality, and lack of labour market information. Furthermore, it is challenging for TVET institutions to get input from the industry on required occupational standards with which to design their curriculum.[56]

This can lead to limited interest from companies to hire TVET graduates. One research found only 14 out of 60 companies would contact a TVET institution when they are hiring.[57]

One interviewed company claimed that out of 40 trainees that did an internship and worked for three months, only four stayed. This despite the fact that the ones who stayed will earn more in the long run than those who are job-hopping (stakeholder interview)

49 *EPDC (2018). Ethiopia National Education Profile 2018*
50 *World Bank (2020). Data on secondary education, vocational pupils. Available on-line at: https://data.worldbank.org/indicator/SE.SEC.ENRL.VO.FE.ZS?locations=ET [Accessed: 29th of November 2021]. Definition of vocational pupils: Secondary vocational pupils are secondary students enrolled in technical and vocational education programs, including teacher training.)*
51 *Reda et al. (n.d.) Graduate unemployment in Ethiopia: The 'red flag' and its implications, and Tamrat, W. (2021). Plan to create degree-relevant jobs for 80% of graduates: University World News*
52 *Yallew, A. (2020). Higher Education in Ethiopia: Developments and Challenges*
53 *Getachew, B. (2012). Employment Challenges in Ethiopia*
54 *Tamrat, W. (2021) argues, "Most often, studies on the subject revolve around the need for graduates to have additional attributes, competencies, and skills [...] if they want to guarantee job placement."*
55 *Le Mat, M. (2020). Assessment of youth skills development/jobs Nexus in Ethiopia.*
56 *Wondwosen, T. (2021). Tardy implementation undermines TVET reform policies.*
57 *Fukunishi T. & Machikita T. (2017). Vocational education and employment outcomes in Ethiopia: displacement effects in local labor markets: Institute of Developing Economies, Japan External Trade Organization.*

Many employers indicate that they feel that job seekers lack soft skills, including industrial mind-set and work attitudes. In their experience, there is often no focus on entrepreneurship and business skills during education, which affects the skillset of the graduates. Multiple organizations we've interviewed mentioned that they are looking for job seekers who were engaged in extracurricular activities during their studies as this shows engagement and a willingness to learn. Also, research confirms that more skill development might lead to a better transition to work, especially when it comes to soft skills and management skills.[58]

There is a mismatch between the expectations of the youth regarding career opportunities and what the reality looks like. Youth experience a lack of opportunities to find jobs and gain experience. There is also a misalignment between their needs and aspirations and the policies of the government.[59]

According to the YAR, many youths seek to be self-employed or become entrepreneurs and generate their own businesses. Respondents expressed their dissatisfaction in the tough job competition, low wage levels and non-transparent hiring practices- reinforcing their desire to be agents of their own future and in charge of their own income. Looking at the sectors, it seems that the most sought-after jobs are health-care (doctor, nurse), retail, salaried professional, teacher, skilled construction worker, in government while agriculture and other vocational professions were less aspired.[60]

During the interviews, it was mentioned that the students develop certain expectations during their education which is usually not found in work-life. Hence, a stronger focus on career guidance and preparing the youth for the world of work would be beneficial.

Industries invest in additional training, but the trained youth often leaves for better opportunities. Youth are often unable to transfer the technical skills they acquired in their education to practice at the work place. Hence employers often find it important to train them before they can become productive at work. Such trainings also make the youth better positioned to compete for other job opportunities; as a result, companies face turn-over/poaching of trained workers and will find their training programmes a costly exercise. For some companies, this even led to the decision not to provide any training anymore as they don't see the return-on-investment. Research also suggests that industries are not always willing to train the youth or hire them as apprentices and provide practical training because it is expensive and time-intensive.[61]

Yet, without practical training, the youth cannot be prepared for the actual labour market. Therefore, strategies for higher retention rates should be in-place to guarantee a higher return on investment from on-the-job training.

"Working based on interest and passion makes us productive but that is not the case in Ethiopia. Often, if you want to work based on your passion, you don't make enough money so it's not often that you can earn a good income from something you are passionate about."

- *Selam (not her real name) to the researchers*

Lack of a National Qualifications Framework (NQF) meant there were no occupational standards on the basis of which educators and employers could talk the same language; tertiary education, so far, has been mainly supply-driven.[62]

Demand side actors (employers and companies) experience a low quality of training and mention that it is very supply driven. On the other hand, educational institutes point out, that the companies are not provided their occupational requirements either to bridge the gap. Employers therefore often look for job seekers with more experience instead of fresh graduates. A better dialogue between the industry and education institutes and a change in curriculum is necessary to increase the opportunities for fresh graduates.

From a labour supply side, the "70-30" enrolment quota,[63] ***which was enforced till December 2019, did not reflect the realities of the marketplace and contributed to the mismatch of supply and demand and to "misallocation" of skills and human resources for over a decade.***[64]

The 70-30 enrolment quota held that universities must educate 70% in engineering and science and 30% in social sciences.[65]

58 *Le Mat, M. (2020). Assessment of youth skills development/jobs nexus in Ethiopia: Commissioned by the Netherlands Enterprise Agency.*
59 *Ibid.*
60 *Ibid.*
61 *Yallew, A. (2020). Higher Education in Ethiopia: Developments and Challenges.*
62 *Le Mat, M. (2020); Wondwosen T. (2021); and stakeholder interviews*
63 *That universities must educate 70% in engineering & science and 30% in social sciences*
64 *Stakeholder interview*
65 *In December 2019, the government revised the 70-30 placement quota. The revised one is 55-45 according to: New Business Ethiopia (December 31, 2019). Ethiopia revises 70/30 college enrollment quota.*

It also seems that many graduates ended up in a different area of work than what they studied, either because they might not be interested in their field of study, or because they could not find matching jobs.

Details on gender norms and their impact of women's access to education and employment are covered in section 4.5.

4.4 Business Development Services (BDS) and Access to Finance

A strong Business Enabling ecosystem is required to ensure decent self-employment in starting and established businesses.

As introduced in the previous section on labour demand, most job creation takes place in large established firms in the services, trade, agriculture and industry sectors. To facilitate private sector growth, an enabling business environment with access to suitable Business Development Services and Finance is a key requirement. In addition to private sector growth, private sector recovery has become an important topic of late, with micro-enterprises and SMEs among the most significantly affected as a result of the economic slowdown.

The private sector in Ethiopia consists of mostly micro-enterprises (<5 employees), a limited number of SME's (6-100 employees) and an even smaller number of larger enterprises (100+ employees).[66]

Based on an estimate from interviewed incubators, ***less than 5% of start-ups who received active Business Development Services (BDS) graduate to Small or Medium sized enterprises (6+ staff).*** This figure decreases to practically zero for unsupported 'regular' micro-enterprises.

In line with JCC's observations[67], we recognize four broad challenges to Ethiopian MSME development:

1. Poor policy design resulting in lack of effective public supporting measures;
2. Inadequate skill training;
3. Lack of targeted financial support; and
4. Poor market linkages.

Any commercially available or donor-driven business development services for enterprises should in particular keep challenges 2-4 into mind for its services offer.

Highly relevant Business Development Services for Ethiopian SMEs include:

- Developing bankable business plans
- Financial management
- General business (and risk) management,
- Marketing strategy
- Human Resource management

Whereas medium and larger-scale enterprises have less need for business development support and usually have better access to finance, micro- and small enterprises are less lucky. Business management skills are generally low for micro- and small enterprises; business/revenues tend to grow slowly and firms usually face access to market constraints. Most start-ups stay small and localized due to these various reasons, including notably language and trade barriers.[68]

Examples of relevant digital innovations for MSME's include:

1. **Supplying or using digital business management tools,**
   like digital data management models for service delivery

2. **E-commerce & related delivery models**
   providing both digital or logistical jobs for either employees or semi-employees (e.g. independent transporters hired by company

Young people are finding themselves in self-employment due to lack of formal employment opportunities.

For the most part, business start-ups by the youth are necessity-based and "politically motivated". Strictly speaking, not all (or the majority of) start-ups are opportunity- or demand driven. Support is needed in this area. In addition to more technical support, Ethiopian youth running businesses or with entrepreneurial aspirations could also benefit from exchanging experiences with and meeting young role models.

66 The Ministry of Trade and Industry defines SMEs as firms that employ between 6 to 100 employees.
67 JCC (2020), Plan of Action for Job Creation 2020-2025
68 UN(2021), Cultivating SMEs: Entrepreneurship Development, Gender, and Technology in Bangladesh, Cambodia, Ethiopia and Senegal

The Ethiopian entrepreneurial ecosystem has a relatively weak supporting capacity but is slowly developing through public and private support initiatives.

Private initiatives.

With about 20 start-up hubs[69], Ethiopia has a relatively limited number of incubation and accelerator programs compared to the wider region. Most hubs are located in Addis Ababa. The types of services provided varies between co-working spaces, training or complete cohorts with custom incubation and access to seed funding. Most hubs focus on incubation rather than acceleration, usually due to lacking access to seed capital. Some hubs have specialized in specific sectors, often with a focus on technology (like i-Cob-Labs), agriculture/AgTech (like blueMoon) or social impact (like xHub Addis).

Donor-driven initiatives.

In addition, there are various donors/multilaterals active in promoting (M)SME development in Ethiopia, including notably Mastercard Foundation, UNIDO, UNDP, World Bank and GIZ. These programs aimed at strengthening the entrepreneurial ecosystem generally have a strong focus on supporting female entrepreneurs but a more modest emphasis on supporting technological innovation.[70]

Public initiatives.

The GoE set up the Job Creation Commission in 2018 to develop tools to create jobs and promote private sector development. JCC and the GoE in general place an increasingly strong emphasis on promoting high-growth, innovative SMEs.[71]

The JCC has drafted "the Start-up Businesses Proclamation" and tabled it with parliament for approval. There is also a renewed emphasis on incubation centres at universities in Ethiopia, and GIZ is working with the Ministry of Science and Higher Education to set up such centres at four universities in the country. The Ministry is also working on developing an entrepreneurship course for all university students to encourage an entrepreneurial mindset. Impact has remained relatively low to date, due to challenges in implementation but also the relevance of the available business development support and the commercial feasibility of the youth's business models.

Improving the currently limited awareness of and access to technology of MSMEs can help improve their competitiveness and business growth.

In general, technological innovation across sectors is considered a huge opportunity in the entrepreneurial landscape. Our Youth Action Research showed that many young men and women are attracted to the Digital Economy due to its (perceived) exciting, decent and even financially attractive working environment.

In addition to the employee perspective, promoting technology diffusion among MSMEs can to improve their own businesses management (B2B) or improve access to relevant digital products and services (B2C). It also allows companies and organisations to deploy their employees more remotely. Although direct digital business models are usually developed and deployed in urban and semiurban areas, it can also be a solution to connect with rural markets.

Examples of relevant digital innovations for MSME's include:

- ***Supplying or using digital business management tools,*** like digital data management models for service delivery
- ***E-commerce & related delivery models*** providing both digital or logistical jobs for either employees or semi-employees (e.g. independent transporters hired by company

Access to finance for Micro, Small and Medium Enterprises (MSMEs) is limited in value and variety, hindering business growth.

There is no standard nationwide definition of MSMEs; consequently, specific MSME financing strategies are not in place.[72] Only 11.3 percent of small enterprises in Ethiopia have access to working capital loans from banks, compared to a global average of 26 percent and Sub Saharan Africa's average of 22 percent.[73]

"When applying for a job there is discrimination based on race and gender. The hiring managers also hire their relatives and family members. These are the reasons the youth face unemployment."

– *Hewan (not her real name) to the researchers:*

69 *Including but not limited to Gebeya, iceaddis, Startup Factory Ethiopia, blueMoon, iCog-Labs, xHub Addis, Orbit Hub, 1888EC and GrowthAfrica, Ethiopia*
70 *UN(2021), Cultivating SMEs: Entrepreneurship Development, Gender, and Technology in Bangladesh, Cambodia, Ethiopia and Senegal*
71 *JCC, Jobs Creation Commission Ethiopia, https://jobscommission.gov.et/*
72 *World Bank, 2014. "SME Finance in Ethiopia: Addressing the Missing Middle Challenge"*
73 *World Bank (2015) Enterprise Survey*

Access to finance is extremely challenging for SMEs in specific, who require slightly higher working capital or capital expenditures then micro-enterprises but don't have the lower risk profile of well-established corporates. Ethiopian SME's in need of financing rely almost exclusively on collateral-based funding provided by the banking sector and equity investments from social networks. Less than one third of SMEs acquire bank loans at all. SMEs are much more likely to be rejected for loans and less likely to have a loan, line of credit, or overdraft facility, than larger businesses.

Women owned SMEs are especially disadvantaged in accessing finance, primarily because they have less access to collateral.[74]

Most financial institutions in Ethiopia only consider land titles and fixed assets like buildings as collateral for business loans. However, unequal access to property rights means that women are much less likely to own and control these assets than men.

4.5 Culture and social norms

Culture, social norms and attitude affect the way in which the youth look for and find employment. Some of these are common both for men and women while others affect women disproportionately. The findings of the scoping research on culture and social norms are categorized into three sub-sections, namely, those:

- Common across the gender divide;
- Of material importance to women; and
- Arising in the urban-rural divide.

Culture, norms and attitudinal issues affecting the gender divide

Certain attitudinal issues are prevalent amongst the youth and hold across the gender divide. The following are the most important ones:

- In industry, supervisors expect fresh graduates to have an equivalent level of understanding on production and maintenance issues; supervisors tend to be impatient and not willing to afford young graduates with sufficient time to adjust and learn.
- There is no deliberate attempt to create jobs for the youth; rather the common practice is to try and assign already existing jobs to the youth.
- Graduates, especially from universities, come with the mind-set that they would be assigned to supervisory or managerial positions and they find it hard when they are tasked to shop-floor assignments.[75] Generally speaking, the youth with diplomas and degrees tend to choose "white collar jobs" and little interested in "blue collar jobs".[76]
- There is preference for "quick-win" and "instant-gratification" businesses such as import-export. For instance, although furniture making and fabrication of metal products holds good market opportunity, not many youths enrol to study in those professions as they consider these trades as tough and as having longer pay-back-times.[77]
- A growing number of youth (both urban and rural) view agriculture as "not cool" and, hence, have low interest to seek employment in this sector; bee-keeping and chicken farming are areas which hold high opportunities but not explored by the youth.[78][79]
- In the garment industrial parks setting, employers (reasonably complain) that it is not uncommon for labourers to leave their jobs with no prior notice a day after they have received their salaries.[80] The urban youth are also not that attracted to jobs in the industrial parks as they believe they could make a better living by starting their own micro businesses (hair salons, tuk-tuks, etc.)

74 *World Bank. 2019. Ethiopia Gender Diagnostic Report: Priorities for Promoting Equity. World Bank, Washington, DC*
75 *Interview with Million Ayele [Dated 30.09.2021]*
76 *Interview with Yewubdar Hailu [interview given in her position as an independent professional on women economic empowerment and youth employment; dated 09.09.2021]. The same opinion was shared in the KII held with Helen Getaw [Dated 21.09.2021].*
77 *Interview with Helen Mulugeta [Dates 30.09.2021]*
78 *Interview with Fasil Kelemework [dated 15.09.2021]*
79 *Interview with Anteneh Girma (ministry of Agriculture, Selamawit Firdissa (Agricultural Transformation Agency) and Teshager Abebaw (FAO) revealed that huge job creation opportunities lie in off-farm activities such as in: farm mechanization services, input supply (seeds, fertilizers) and services for agrochemical sprays, veterinary services, and intermediation between producers and consumers/agro-processors including aggregation and primary processing to feed integrated agro-industrial parks.*
80 *Interview with Yewubdar Hailu*

Cultures and norms specifically affecting women

A number of norms and perceptions tend to affect women disproportionately. To mention but a few:

- The common narrative that "girls, after graduation and training, cannot find jobs at the same rate as boys" masks an underlying misconception. The more worrying problem is that girls are gravitating to (comparatively) low-skill sectors, e.g., waitresses, secretaries, nurses and mid-wives. The reasons for that are believed to straddle cultural and policy (enforcement) dimensions.

- Traditionally girls tend to stay home a lot (compared to boys) limiting their access to information on potential opportunities and the prospect of finding a job.[81]

- Women tend to be more reserved, while men are more daring in offering their services- importantly affecting wage negotiation outcomes.[82]

- Due to existing misconceptions, certain types of jobs tend to be "pre-assigned" to men even in instances in which the jobs are "ear marked" for the youth; by the time girls try their chances, the opportunities have already been filled by men.[83]

- In start-ups and incubation labs, girls tend to be under-represented from the get go; for instance, in the star-up projects managed by blueMoon, girls make only 30% of trainees.[84]

- There are no specific considerations built in the design of the TVET-Industry linkage program to motivate girls to train in the technical professions; it is common knowledge that women gravitate to low-skill jobs (e.g., waitresses, construction labour, etc.).[85] There are no women-friendly (affirmative) recruitment initiatives from employers.[86]

- Entry barriers: Informants also argued that although the labour laws of Ethiopia are non-discriminatory, there are "un-written" rules subtly applied by employers, preferring those who they think are fit for the job; this problem is more pronounced for women. Instances of pregnant women being subtly screened out in recruitment processes was cited by informants in two instances. This is corroborated by literature: "Some companies opt to not hire pregnant women. For instance, 21% of workers surveyed reported that the firm they work for conducts pregnancy tests before they hire."[87]

- Work-place issues that affect women the most include safety concerns and reproductive health issues. Key informants cited low wages as one of the contributing factors compounding the reproductive health problem. Low awareness on reproductive health issues often results in unwanted (teenage) pregnancy and the need for child-care, leading to absenteeism and also to turnover eventually affecting business performance as well. Because of low wages, and unable to afford own accommodation, girls tend to co-habit with male partners in an informal relationship.[88]

- Some employers claim women are better for "industrial peace"; that perception might as well mask preference to employ less-assertive workers (who don't exercise their rights or demand for better pays)- a difficult position in which women tend to be over-represented.

- Employers (factories in the industrial parks) tend to have supervisory/leadership roles reserved for men, whereas women tend to work in the repetitive tasks.

However, there are areas in which girls also excel and the labour market actors appreciate their innate qualities. The following deserve mention:

- In start-ups and incubations, women tend to persevere more than their male counterparts; the experience of blueMoon is that: girls tend to be more committed to see their business ideas to fruition; often assume the CEO role in the teams they join as trainees; and make up the majority of successful businesses incubated.[89]

- In Rural Saving and Credit Cooperatives (RuSaCCos), anecdotally viewed, women tend to be more reliable in paying back their debts.[90]

81 *Interview with Selamawit Firdissa [24.09.2021] and also with Yewubdar Hailu [Independent WEE and Youth Employment practitioner; dated 09.09.2021]*
82 *Interview with Helen Geatw [Dated 21.09.2021]. The issue of weak negotiation skills of women (compared to men) was raised by other key informants: Yewubdar Hailu, Selamawit Firdissa and Teshager Abebaw.*
83 *A case in point was, in solar irrigation projects in which the youth were expected to provide installation and maintenance services; however, these opportunities were quickly taken by men [Interview with Selamawit Firdissa.]*
84 *Interview with Tsion Taye Assefa, Program Lead blueMoon [dated 08.09.2021]*
85 *Interview with Eyaros Bekele (Dated 15.09.2021]*
86 *Ibid.*
87 *UNDP 2018). A study on women in manufacturing in Ethiopia: Opportunities, challenges and strategic interventions.*
88 *An issue mentioned in the KII by Yewubdar Hailu and Selamawit Firdissa and also in the literature.*
89 *Interview with Tsion Taye Assefa*
90 *This mirrors Self Help Africa's work with RuSaCCos [Interview with Fasil Kelemework; dated 15.09.2021]*

- The garment industry and flower farms tend to prefer women for reasons of industrial peace or dexterity (although this categorization might have its downsides as well).

Cultures and norms across the urban-rural divide

- Most of the young who join incubation centres come from Addis and as they often live with their parents, they do not incur extra expenses for meals and lodging (families support kids long into adulthood if they can).[91]
- Urban youth tend to be well-informed and financial support from parents helps them cover their lodging expenses; as a result, they have better access to information on vacancies.[92]
- In the garment technology field, students who join the fashion design field are predominantly urban girls (very few rural girls); the reason is that urban girls get exposure to fashion and the creative arts.[93]

4.6 Matching

There is misalignment between how jobs are advertised and where the youth is searching for them. Most vacancies by employers (especially in the labour-intensive sectors such as in the industrial parks) are advertised in the vicinity of the factories. On the contrary, most job-seeking youth and women live far away often in rural areas and get no access to that information.[94]

In addition, many job seekers in Addis Ababa use vacancy boards as a primary source of information. Travelling to those boards can be a challenge for them as it can be costly.[95]

User friendly and appropriate technologies/apps are missing to facilitate job searching.[96] There are a few national job boards (like Delala.com, etcareers.com, Hahu.jobs and Ethiojobs.net) but all advertise only very few vacancies (from 28 at Delala to 620 at Hahu.jobs). Most of the advertised vacancies are in Addis Ababa and are focused on either the NGO sector or Banking/Business/Finance.

According to the YAR, the youth face many challenges when it comes to hiring processes. They experience discrimination based on ethnicity, gender and disabilities. Also, corruption is experienced as a challenge. Cases of nepotism have been reported in the Youth Aspiration Action Research as frequent challenges experienced by the youth.

According to an experiment in Ethiopia with job fairs during which graduates and hiring companies were brought together, the challenge of matching is not necessarily related to the interaction between job seekers and employers[97]. During the experiment, there were many interactions between job seekers and recruiters but there were only very few actual job-matches. Companies seemed to have a preference for job seekers with experience instead of fresh graduates. But employers were interested to hire attendees with no tertiary education for low skilled position. Unfortunately, this also led to few actual job-matches because of high expectations from job seekers regarding salaries. Job matching programs therefore should ensure that expectations from job seekers are realistic and that employers also see the value in hiring fresh graduates.

Generally, there isn't any organized and well-structured data for recruitment and hiring. For example, even though so many jobs matching entities exist, they don't speak to each other and there is no central effort to conduct the analysis required to inform related policy making. Employers don't know how to categorize the jobs that exist, which affects people's ability to apply. Job seekers go to internet cafes and use a standard template that doesn't really say much about them and their qualifications.[98]

91 *Ibid.*
92 *Interview with Yewbdar Hailu, Independent WEE & Youth Employment practitioner [dated 09.09.2021]*
93 *Interview with Million Ayele [dated 30.09.2021]*
94 *Stakeholder interviews*
95 *Abebe, G. et al. (2017). Anonymity or distance? Job Search and Labour Market Exclusion in a Growing African City*
96 *Stakeholder interviews*
97 *World Bank (2017). Job Fairs: Matching Firms and Workers in a Field Experiment in Ethiopia*
98 *Stakeholder interviews*

4.7 Decent work

Decent work sums up the aspirations of people in their work lives. It embodies the following concepts:

- Involves opportunities for work that is productive and delivers a fair income;
- Security in the workplace and social protection for families;
- Better prospects for personal development and social integration;
- Freedom for people to express their concerns, organise and participate in the decisions that affect their lives; and
- Equality of opportunity and treatment for all women and men.

CFYE expects potential projects to focus on decent work and come up with solutions to overcome the most common problems. Decent work is extremely important for youth for a number of reasons:

- First, the youth are often the ones who work under less decent conditions.
- Second, they are vulnerable to be laid off because they often have more precarious contracts.
- Third, they are generally cheaper for firms to fire because, they are less skilled and firms would have invested less on their skills development (in comparison to their senior peers).

The requirements below should be included in all projects.

- Our living wage benchmark is the recommended guideline for projects to work towards; the focus should be on at least partially the gap between the actual wages and the recommended living wage throughout the lifetime of the projects;
- It is recommended to include any fringe benefits in those considerations (for example lunch or transportation), as those costs are included in the living wage and can be counted for as well;
- No more than 48 hours/week of work;
- Jobs are maintained for at least 6 months;
- Appropriate health and safety measures are in place for all jobs;
- Jobs should be for youth between 16-35, not younger;
- Applicants with ideas to offer better social protection for their workers (health insurance, paid maternity and sick leave etc.) are preferred; and
- Jobs should include the opportunity for personal development and professional growth.

The section below provides additional detail on the reality on the ground when it comes to decent work in Ethiopia.

Job security and social protection

Ethiopia scores 60.5 (out of 100) on the Labour Rights Index of 2020 and therefore has limited access to decent work.[99]

SDG indicators for the last available year reveal that social protection policies and measures are virtually absent in Ethiopia.[100] All indicators are significantly lower than the African average.

Furthermore, according to the EDRI study cited above, only about 16% of all enterprises surveyed give written contracts and the share of permanent workers is only 14%. It seems that there is still a lot of room for improvement. Proposals intended for the CFYE Fund should consider the indicators of social protection and make sure that they are followed through. For example, a gender inclusion strategy that focusses on anti-discrimination of women and good maternity leave policies can be a good strategy. Support on pensions and health care is also recommended as these can make a big difference for the employees.

99 *Labour Rights Index (2020). Wage Indicator and Centre for Labour Research. Available on-line at:* https://labourrightsindex.org/
100 *World Social Protection Data Dashboard. Available on-line at:* https://www.social-protection.org/gimi/WSPDB.action?id=13

SDG indicators	Ethiopia	Average Africa
Percentage of the population covered by at least one social protection benefit	7.4%	17.4%
Percentage of women giving birth receiving maternity cash benefits	not available	14.9%
Percentage of persons with severe disabilities receiving disability cash benefits	1.3%	9.3%
Labour force covered by pension scheme	7.8%	13.4%
Percentage of vulnerable persons covered by social assistance	3.2%	9.3%

Minimum wage

There is no national, minimum wage set in Ethiopia. There is only a minimum wage for the public sector, set at 420 ETB per week.[101]

Data from the World Bank shows that there is still a significant proportion of the population (23.5% in 2015) living below the national poverty line, as measured under SDG 1.2.1.[102] This is especially the case for youth and women who are more likely to earn lower wages.

In 2013, 29% of the young workers had an income below the poverty line, compared to 13% of older workers. There is not much data available on the average earning. According to a labour force survey, the real monthly median wage earning was ETB 1,158 in 2016 which is far below any living wage survey that we reviewed. There was a difference of 37% between the earnings of men and women. Furthermore, higher educated people seemed to have a higher income. Looking at the sectors, the agricultural sector paid the least, compared to financial and business orientated services who had the highest salaries. Finally, it seems that public and formal employment pay better than informal and domestic workers.[103]

According to our YAR, it seems that ***only a small percentage of youth (30.6%) is actually satisfied with their current income.*** On average, they reported that a monthly income of ETB 12,500 would be needed for a basic but decent lifestyle.

While wage employment appears to be on the rise in the urban setting, the literature indicates that real wages have been stagnant or even decreasing. A UNDP study argues, "The fact that real wages remain sluggish in the face of a remarkable economic growth means that wage earners are not benefiting much. This will make the transition to a labour market dominated by paid employment more difficult."[104]

There is a negative impression about working conditions and salaries in industrial parks in Ethiopia but based on a pre-COVID-19 survey amongst a variety of the parks, the conditions don't always seem that bad.[105] According to one study, pay in industrial parks compares favourably to the local cost of basic needs and is in line with pay in other sectors of the local economy. The analysis indicates that the median industrial park production worker earns a base pay of ETB 1,800 per month plus variable pay of ETB 1,175. In terms of secondary benefits, free food is provided at 72% of the industrial parks, 71% transport, 6% housing.

Contrary to the above-cited study, a UNDP (2018) study with a focus on the manufacturing sector (including industrial parks) made the following conclusions: "Low wages that barely cover the basic costs of housing, food and clothing is one of the key constraints that women and men workers face. Given gender pay gaps, the lower educational level of women, and limited career growth options, the impact of low wages and lack of safe and affordable housing is more critical for women."[106]

Living wage

As part of our scoping research, we have used our Living Wage Benchmark Tool – developed together with New Foresight - to get an indication of a reasonable living wage in Addis Ababa and Hawassa. Whereas minimum

101 WageIndicator.org
102 Poverty Headcount Ratio at national poverty lives. (2015). [online] Available at: https://data.worldbank.org/indicator/SI.POV.NAHC?locations=ET [Accessed 15 October 2021].
103 World Bank (2017). Employment and Jobs Study: Poverty Global Practice.
104 UNDP (2018). Ethiopia National Human Development Report 2018
105 World Social Protection Report. World Social Protection Report Data 2020-2022. Available on-line at: https://www.social-protection.org/gimi/WSPDB.action?id=809 [Accessed 4 October 2021].
106 UNDP (2018). A study on women in manufacturing

wage looks at policy guidelines towards a certain figure, a living wage dives a bit deeper and looks at what would be needed for a decent life-style. Elements of a decent standard of living include food, water, housing, education, healthcare, transportation, clothing, and other essential needs including provision for unexpected events.

The Living Wage Benchmark that has been done for this scoping report suggests that a living wage per Full Time Equivalent (FTE) in Addis is about $255/€225/12,100 ETB and in Hawassa about $267/€236 /12,700 ETB.

Item	Addis Ababa	Hawassa
Household size	4.4 people 2 adults, 2.4 children, 1.6 earners	5.9 people 2 adults, 3.9 children, 1.6 earners
Living Wage per household	$ 401	$ 440
Net Living wage per FTE	$255	$ 267
Taxes	$57	$ 60
Gross Living Wage per FTE	$312	$ 327
Food costs	$ 172 (43%)	$ 236 (54%)
Housing costs	$ 124 (31%)	$ 84 (19%)
Non-Food Non housing costs	$ 86 (21%)	$ 99 (22%)
Emergencies	$ 19 (5%)	$ 21 (5%)

It seems that housing (rent) costs are higher in Addis Ababa compared to Hawassa, while the food costs in Hawassa seem to be higher (note, total costs are also higher due to a bigger household size). The higher food costs also impact the non-food non-housing costs because they are calculated in a 0.45 ratio to food costs. Additional spot-checks of food prices also confirmed food costs are higher in the Hawassa region.

Comparative studies found more or less comparable figures for living wages/incomes:

- According to the WageIndicator.org, the gross living wage for a typical family in Ethiopia (2 parents with 4 children with 1.7 earners) should be between ETB 14,100 ($ 304) and ETB 18,300 ($ 395). For a single adult, it should be between ETB 6,800 (€147) and ETB 8,870 (€191).[107]

107 WageIndicator.org. (2021). Living Wage Series - Ethiopia – July 2021- In ETB/month. Available on-line at: https://wageindicator.org/salary/wages-in-context [Accessed 22 November 2021].

- A study done by the Global Living Wage Coalition in the urban region of Ziway, suggests a living wage of ETB 3,944 ($136) and a living expense for the reference family (five people with 1.65 workers) of ETB 6,520 ($225).[108]

According to the YAR, ***flexible work hours are regarded as "a benefit" that slightly more than half of the youth (61% already have).*** It is considered an important benefit by 47% of the interviewed youth.

Work time and work-life balance

Ethiopia's employment law[109] follows the regulations of the ILO, namely working hours should not exceed eight hours of work per day or 48 hours per week and overtime should not exceed 4 hours per day or 12 hours per week. Workers are entitled 16 working days of annual leaves for the first year of service and 16 working days plus one working day for additional two years' service.[110]

Both the literature review and interviews with key informants indicated a number of work place (wellness) issues. It is worth mentioning that the majority of comments were targeted at the manufacturing sector and to a certain degree to the flower farms.

The subtitle of the Ethiopia National Human Development Report (2018) is "Industrialization with a Human face"; that, in itself, is suggestive of the urgent need to address "social sustainability" issues in the country's journey of industrialization. To that end, the average working hours and days are not very far from the maximum set by the labour law of the country; that worker normally (excluding overtime) work for 8.3 hours in a day and 5.9 days a week on average; and that the average overtime worked is 6.8 hours a week.[111]

Health and safety

If we look at the labour proclamation, the laws cover all the basics when it comes to health and safety. Every employer should take measures to provide a safe working environment for their employees. This includes free provision of personal protective equipment, proper training about potential hazards and a labour inspection system. However, practice is not according to ILO standards. Furthermore, due to a lack of resources, the labour inspectors might not be able to enforce all standards effectively. In 2010, only 9.81 labour inspections were done per 10,000 paid employees.[112]A national survey carried out by the EDRI on micro, small and medium enterprises reported that more than one third of all enterprises do not give occupational safety training.

The same survey reports that only 16% offer Personal Protective Clothing and Equipment (PPCE).[113] Our YAR shows a more positive picture, with 55.6% of the youth reporting that they have access to personal protective equipment during their work, while 25% at least had access to some extent. It does seem that COVID-19 regulations are followed quite well (82.9% yes, 8.6% to some extent).

In addition, the following occupational health and safety irregularities were also highlighted: while health and safety services/equipment are put in place in many factories, there is room for improvement; more than one third of the enterprises do not effectively train their workers who are exposed to dangerous materials; and that half of the companies do not cover their workers medically.[114]

Decent work for women

Section 4.5 provided a detailed background to additional challenges girls and women face when it comes to realizing (self-)employment. In the space of decent work for women, it is generally known that there are limited formal practices or guidelines in place in most informal employment or self-employment opportunities. This notably refers to no minimum wages being paid, no maximum working hours and no formal occupational health & safety practices. The section below therefore zooms in on the decency of formal employment for women, specifically in manufacturing.

108 Global Living Wage Coalition (2019). Living Wage Update: July 2019. Available on-line at: https://www.globallivingwage.org/wp-content/uploads/2018/05/Update-Report_Ethiopia_2019.pdf [Accessed 4 October 2021].
109 Labour Proclamation, No. 1156/2019
110 Ibid.
111 UNDP (2018). Ethiopia National Human Development Report 2018
112 ILO (2013). Decent Work Country Profile
113 UNDP (2018). Ethiopian National Human Development Report 2018
114 Ibid.

The number of women who work in factories is increasing, especially at the low skill, low payment level. Most of them are very young, less educated, and migrants from rural areas. They are not well informed about the family planning and health services available at their work place or outside. As a result, they face various risks, including unplanned pregnancy and HIV/AIDS[115]. Due to the limited health and related support services, combined with their limited awareness, they hardly get the support they need when they encounter problems. The problem is aggravated by existing financial hardship resulting from low pay and the high cost of living, especially house rent. The figure below presents additional decent-work related challenges faced by women workers.[116]

Female workers in Ethiopia are known to face additional challenges when it comes to a decent working environment. Some of their key challenges are listed below:

- Females earn 69% of what males earn in the whole economy and 63% in industry.
- Within industry, manufacturing pays the least only 60% of the female workers work in factories which have separate changing rooms for each sex
- 14% of them work in enterprises which do not have separate toilets.
- One third of the female workers reported that there are not enough toilets.
- More than a quarter of them reported that their work place does not have good ventilation and health and safety measures.
- In some enterprises, females do not have privacy when they use toilets.
- Wellness for mothers: Only 13% of the companies surveyed give breast feeding breaks.

Forced labour and child labour

Ethiopia is following the international conventions which require that child labour and forced labour should be abolished. The minimum age for employment has been raised from 14 to 15 under the 2019 Labour proclamation and the minimum age for hazardous work has been set at 18, according to international standards. This is also a minimum requirement of the CFYE. The government also follows laws and regulations to protect child labour, but not all international standards are met, e.g., a lack of compulsory education age and free public education. A survey from 2015 showed that 41.5% of children between 7 to14 years were engaged in child labour and 30.8% were combining work and school.[117]

115 *UNDP (2018). A study on women in manufacturing*
116 *Compiled from Ethiopia Country Human Development Report 2018 (UNDP, 2018) and A Study on Women in Manufacturing in Ethiopia (UNDP, 2018)*
117 *Bureau of International Labor Affairs (2020). Findings on the Worst Forms of Child Labor – Ethiopia. Available on-line at: https://www.dol.gov/agencies/ilab/resources/reports/child-labor/ethiopia*

5. Concluding on key opportunities and challenges

The previous chapter introduced key challenges across five domains of the labour market: labour demand, job-related skills, (start-up) business support, social and cultural norms and matching.

This chapter aims to structure these observations into a framework that guides youth-employment initiative-takers towards solutions with impact-potential. We identify three categories of employment impact we'd like to see realized in Ethiopia and other focus countries: Create, Improve or Match.

Applicants have to indicate whether they are submitting a project idea that focusses on creating, improving or matching jobs – or a combination of the three. The observations in each of the three employment profiles provide guidance for the type of youth-employment related challenges and opportunities we'd like to see reflected in applications' development pathway.

Table 7 below introduces these definitions, before we present a profile of key observations per category.

Table 7. Categories of employment impact according to CFYE

Create	A young person takes up work or a job/role that has been newly created as a result of the intervention.
Match	A young person is matched with or finds a job that exists independent of CFYE interventions, resulting from efforts such as: - Matching or career development services, - Youth-targeted HR strategies, - Supply-side interventions focused on improving employability
Improve	A young person experiences improvements in working conditions within the job/work/role they already have, as a result of an intervention. Improvements may be related to: - Income/ productivity and benefits; - working hours and work/life balance; - health, safety and well-being; - security of employment and social protection; - personal development; and/or - workers' representation

5.1 Create

Key facts

- Ethiopia's **economic growth slowed down to 6% in 2019/20** due to COVID-19 but expected to pick up again in the coming year. Despite continued growth, the economy is not developed enough to absorb all youth looking for waged employment.
- **(Formal) wage employment rate is low at about 10% nationally**, 12% for women and 8% for youth. As a result, many young men and women find themselves in self-employment.
- **Most people are (self-)employed in the agriculture sector**. The **services sector is the largest provider of urban wage employment** at 75%, with manufacturing, mining, quarrying and construction industries amounting to another 19%.
- The unemployment challenge is reverberated by the scale of the labour force, which is estimated to grow to 75 million by 2025.
- With the above figure in mind, it's not surprising that **urban youth unemployment is 26% overall** and even reaches 32% for females. In peri-urban and rural areas, the majority of youth is underemployed.
- **Between 2014 and 2019 5.5 million new jobs were created**. The agricultural sector is responsible for most labour demand, creating 3.5 million of new jobs, which are for the most part informal and unskilled. Formal job creation is concentrated in medium and large established firms in manufacturing, construction and agriculture.

Challenges

- Over **2 million youth enter the labour market annually** and the backlog of unemployed was at least 2.5 million in 2018. There is a need to **create 14 million jobs between 2020 and 2025** to absorb that.
- Although agriculture is a key driver of job creation, **a growing number of youth (both urban and rural) are not interested in its opportunities** due to its relatively unskilled jobs and lacking working conditions.
- The **private-sector driven entrepreneurship ecosystem is still underdeveloped** with low offer & relevance of Business Development Services. A related challenge is the lack of efficient structural support at policy level.
- **Only a small share of MSEs graduate to large enterprises** and start hiring staff. Lack of demand, poor market linkage and low access to capital for business growth imply there is a limited pipeline of large-scale job creators.
- **Limited access to finance** – both affordability and suitability of financial products- hinders business growth from micro- to large scale enterprises.
- The local growth of labour demand is not matching supply as **the number of University and TVET graduates is huge and growing** at 13% and 30% per annum.

Opportunities

- Ethiopia's latest policy directions place emphasis on the strong role the private sector needs to play in transforming the economy and in creating jobs, with **manufacturing as key driver rather than the more informal agriculture or services.**
- The public & private industrial parks and the three agro-industrial parks are **expected to create at least 200,000 jobs** across various sectors including garments.
- **Improving the currently limited awareness of and access to technology for MSMEs** is expected to improve their competitiveness and business growth.
- The private sector has **labour demand for well-trained and/or experienced youth with a technical education (TVET)**
- **The most popular areas for youth-led start-ups are in clean tech and the digital economy**. Both sectors are observed to have a limited but growing labour demand.
- It is expected that **about 10% of new jobs (300.000) will be in the Digital Economy.**

Relevance for CFYE

- Although our call for solutions is sector-agnostic, we encourage innovative projects in the following sectors: **digital economy, green economy** (including renewable energy, clean tech, recycling), **manufacturing** (textile & garment, agro-industry etc.) and **agriculture** (horticulture, poultry and off-farm Agri-Services)
- As this is our Fund's first call for solutions, we intent to focus our efforts and focus on:
  - **Private sector-led wage employment opportunities and semi-wage employment** to ensure decency of work
  - Opportunities to **university or TVET graduates**
  - Are centred in **urban and peri-urban areas**
  - With specific attention for **youth and young women**
- In addition to the above, we specifically welcome applications focusing on **youth with disabilities and refugee background** (category 1&2 in our scoping report)

Practical examples of interesting project ideas for CFYE

- **First example:** a local or international company is hiring Ethiopian youth to serve global technology outsourcing markets. The company invests directly in building the skills of employees and targets urban youth and women.
- **Second example:** A digital market/platform service provider creates opportunities for the self-employed youth (including internally displaced people or refugees) who, as a result, are able to sell their services or goods, e.g., handicrafts locally or internationally.

5.2 Improve

Key facts

- There is significant room for improvement in the decency of existing jobs across the Ethiopian economy, with social protection policies and measures such as unemployment insurance and minimum wage being virtually absent in Ethiopia.
- The Living Wage Benchmark that has been done for this scoping report suggests **that a living wage (per FTE) in Addis is about €225 (12,100 ETB) and in Hawassa about €236 (12,700 ETB).**
- Formal wages appear to be on the rise in the urban setting, however real wages in relation to inflation have been stagnant or even decreasing.
- Improvements in decent work are extremely relevant for youth because they are often the ones who work under less decent conditions and with less job security and stability due to their limited access to (formal) wage employment.

Challenges

- **Self-employment is usually neither self-sustaining nor decent.** This in particular applies to young people in peri-urban and rural areas who often engage in agricultural activities or services.
- Stagnant real wages will make the transition to a labour market dominated by paid employment more difficult as youth are more attracted to entrepreneurship: **many youths are not paid the wages they want.**
- **High turn-over rate of workers** does not motivate employers to invest in staff skills development.
- While Occupational Health and Safety (OHS) policies exist in many factories, there is room for improvement on their implementation.
- **A sizable proportion of young employees from various sectors indicated a significant number of work place (wellness) challenges**. This is particularly the case for SMES and the manufacturing sector.
- **Young women encounter additional challenges in entry barriers and workplace wellness**. This specifically relates to reproductive health, personal safety concerns (during commuting) and privacy concerns (separate toilets, changing rooms).
- A specific challenge is the fact that **some companies opt to not hire pregnant women**.

Opportunities

- Increasing social compliance awareness and requirements from international buyers (and the GoE) nudges employers to start adhering to social compliance regulations.
- **The youth entrepreneurship ecosystem is supported** by development partners and the GoE (including JCC) through small start-up loans and ensuring youth are equipped with the right skills in school to run their own successful business. **Impact is still low**.
- During our research, it appears that **Ethiopian youth is very open to upskilling & would benefit from training opportunities** to improve their skills and enhance access to entrepreneurship and employment opportunities.
- **In some cases, there is a specific preference for female employees and/or clients**, including in RuSaCCos, the garment industry and flower farms.

Relevance for CFYE

CFYE will co-fund projects that can meet the decency requirements applicable in the Ethiopian context, automatically excluding survivalist enterprises and inherently informal jobs.

We specifically welcome any applications that aim to take on work-place issues that affect youth and women as part of their project design. In particular, we foresee options for applications that consider the youth employed in the manufacturing sector, which could benefit from targeted services such as psycho-social support and opportunities for career development.

Practical example of an interesting project idea for CFYE

- **First example:** A company is planning to invest in social sustainability measures so it can not only access niche markets (for example the global ethical consumers market) but by doing so also improves the decency of its existing jobs and create additional decent jobs for young employees.
- **Second example:** A well-established manufacturing firm or group of firms which generally hire large number of young women develop and co-invest in a capacity building program that combines standardized skilling for (new) staff with the option of centralized childcare services allowing them to hire or retain young mothers who would otherwise leave or not engage in full time employment.

5.3 Match

Key facts

- **16% of Ethiopian youth have no formal education and 54% have incomplete formal education.** The marginalized, vulnerable youth with a distance to the labour market are typically the youth with little to no formal education.
- **Both university-educated and TVET-educated youth based in urban areas face a hugely competitive job market** due to the huge number of students graduating per year. This figure is **exponentially increasing at 30% and 13% per annum respectively.**
- Lack of a national qualifications framework and occupational standards have contributed to **a significant mismatch between labour supply and demand in terms of quality and technical skills**. As a result, there is limited interest from companies to hire TVET graduates.
- **The highest unemployment rates are amongst first time job seekers and drops for older youth.**

Challenges

- According to employers, **young men and women often have unrealistic expectations** on wages and positions/ responsibilities at entry level.
- **Employers are generally not very willing to provide internship or apprenticeship opportunities** to TVET and university students. This vital service is not coordinated and only happens on a voluntary basis.
- **Graduates often lack in soft skills** including industrial ethics, entrepreneurship or business skills. **Companies are compelled to invest in additional training to fill these gaps**; but often the trained youth leave for better opportunities resulting in **low return on investment for such trainings.**
- In general, **it is more challenging for women to access training and education** because they often have to combine it with their domestic workload.
- **Recruitment processes are perceived to not always be objective** and free from biases, discriminations along ethnic lines, nepotism or corruption.
- **There is a misalignment on how jobs are advertised and where youth is searching for them**, for example user friendly and appropriate technologies/apps are missing and urban youth often have better access to information on vacancies.
- Generally, **there is no organized and well-structured system for recruitment and hiring by companies**, while at the same time, youth also lack knowledge of how and where to apply for jobs.
- **Women face additional challenges during job search** due to even worse information asymmetry, discrimination, jobs being 'pre-assigned' to men, unfavourable wage negotiation outcomes or gravitating to low skill jobs.

Opportunities

- **The GoE is working to enact a National Qualifications Framework**, which is expected to lead to eventually lead to a change to a demand-driven curriculum.
- A stronger focus on career guidance, soft skill development and preparing youth for the world of work helps youth to make the transition from school to work.
- Companies who are providing training programs often (but not always) experience increased worker retention rates.
- **Using fair recruitment methods has proven to increase the chances of creating the right match between employers and job seekers**, this includes using a structured process on how the youth are hired which prevents discrimination or nepotism.
- **Youth across different spectrums of education and location have indicated high demand for initiatives providing a good overview of available job opportunities with fair recruitment processes**. This would at the same time provide options for employers to realize strong matches without too much additional recruitment effort.

Relevance for CFYE

Based on the above, we invite applications covering the following topics or aspects in our 'Matching jobs' category.

- **Interventions which seek to match the existing back-log of TVET and university graduate youth with existing job opportunities** (coupled with apprenticeship opportunities or soft skills training)
- **Systematic Industry-University/TVET collaborations to train students based on the occupational standards of employers/industry**
- **Recruitment processes which minimize information asymmetry for youth job seekers** (especially for fresh graduates and women), including digital platforms/apps as well **as recruitment processes with checks and balances**, which ensure transparency and do away with discrimination and nepotism.
- **Enabling women (who prefer to work from home) to offer their goods and services using centralized (digital or offline) platforms** as long as a certain decency of work can be ensured.

Practical example of an interesting project idea for CFYE

- **First example:** A manufacturing company (in garment, automotive or other trade) partners with a local TVET college to train students as per the company's occupational needs. During the training program, the companies also offer apprenticeship opportunities to the students and hire the students upon graduation.
- **Second example:** A recruitment services provider teams up with potential employers to identify and up-skill (provide soft-skills training or practical work exposure experiences) to un-employed TVET or university graduates. As a result of this intervention, the youth find employment and the intervention is "win-win" for all parties involved.

6. A call for solutions

As mentioned before, the overarching purposes of this scoping study is to provide guidance on the overarching problems we'd like to see reflected in the solutions proposed by our applicants. This scoping study so far has presented a concise overview of the key challenges and opportunities characterizing the youth employment ecosystem in Ethiopia. This means that in this final chapter, we present the eligibility criteria and guidelines for our Call for Solutions.

6.1 The Challenge

Ethiopia has a large youth population (aged 15-29), which is estimated to reach 31 million in 2022. Out of this number, 8 million youth are located in urban areas and the remainder in peri-urban and rural areas.

Nationally, about 12% of the youth is unemployed whereas the rate is much higher amongst the urban youth (26%) and even more compounded for female, urban youth (32%). Youth un-employment rate in rural areas is comparatively small, estimated at about 5%.

Labour demand seems to be the main bottleneck for solving the youth employment challenge in Ethiopia as not enough jobs are being created to absorb the labour supply. Including the backlog of about 2.5 million people seeking jobs, two million additional people join the labour market annually.

Roughly, about three million jobs need to be created every year given the national target of 14 million jobs in the period 2020-2025. The current economy managed to create about 5.5 million in the period 2014-2019, so the rate of job creation so far was only about 1.1 million per year, which is far below the need (3 million/year). Even then, the jobs which the economy continues to create happen to be in low-productivity, in self-employment and in the informal-wage categories.

Employers indicate that the newly recruited young often don't match their labour demand profiles due to a lack of: (a) practical experience; (b) the right set of social and/or technical skills or knowledge matching their need as; and (c) the right expectations on wage and responsibilities.

Most business owners never become employers as it's challenging to scale. Most common reasons are low quality business models (lack of market demand) but also lacking access to finance and BDS.

Our Youth Aspiration Action research indicates that an increasing number of youths aspire to create their own successful businesses (self-employment).

The youth face multi-faceted challenges and constraints in their effort to seek waged employment within the public and private organisations. The major ones they mention are requirements for previous work experience (which first-time job seekers obviously don't have); lack of opportunities for internships and apprenticeships; and discrimination along ethnic, gender and disability lines; nepotism and corruption. Aside entry barriers, the youth also face challenges in the quality and decency of their workplace, among others, a lack of proper on-boarding and career guidance (undue expectations on practical skills); low wages which do not cover their living expenses; and taking up jobs in areas not related to their field of study or interest out of necessity to earn a living.

Female workers face additional challenges, among others, lack of sufficient toilettes and changing rooms; lack of day-care facilities and flexible working hours; and lack of other psycho-social support (e.g., guidance on reproductive health issues).

6.2 Call for Solutions

Our research has shown us that despite a wide range of challenges to youth employment, there is clear potential for young women and men to find decent employment within selected sub-sectors and business models. CFYE wants to co-invest in innovative private sector-led initiatives that provide businesses with access to suitably skilled personnel and realize youth employment.

To this end, we have developed A) general funding criteria, B) eligibility criteria for Ethiopia and C) guidelines on CFYE's areas of interest – which are guidelines rather than eligibility criteria.

A. **The following general funding criteria apply to the CFYE:**
   - As a Challenge Fund, we co-fund **between 10-50% of your project budget.**
   - The **minimum value of CFYE's co-funding is 100.000 EUR,** meaning that project budgets should be valued at a minimum of 200.000 EUR.
   - Applicants' co-funding can consist of **a maximum of 30% of in-kind contribution**, the remainder should be a cash contribution.

B. **The following general criteria for eligible proposals apply:**
   - **Lead applicant:** Only private companies can be lead applicant, but they may partner with other organisations such as NGOs or government institutions.
   - **Minimum number of jobs:** The minimum number of jobs that need to be created, improved, or matched is 250. We look forward to receiving proposals with significantly higher numbers too.
   - **At least 50% of targeted jobs should be for women.** This figure is 33% for non-traditional sectors for women, like construction.
   - **Decency of work:** Any jobs or dependent self-employment should require no more than 48 hours/week of work and respect the other requirements of the Ethiopian Labour Proclamation (No. 1156/2019); and jobs created are maintained for at least **six months.**
   - **Employment type:** Initiatives in both the informal and formal sectors are eligible. However, they should focus on wage employment or semi-employment (working with agents or other dependent self-employed positions as part of a company's business model). Fully independent self-employment without a matching mechanism with confirmed off-takers is not eligible.
   - **Business Development stage:** We are looking for readily tested concepts ready for scaling up or scaling out (meaning already scaled up but ready to diversify). Idea stage ideas are not eligible. Lead applicants need to have been in active business for at least 2 years.
   - **Value of contribution versus turnover:** The CFYE contribution requested cannot exceed total turnover of the Lead Applicant in the previous year.

C. **In addition to general funding criteria and eligibility criteria, we'd like to express our specific interest in the following project characteristics (though not eligibility criteria):**
   - **Living Wage:** We would like to see applicants consider how to improve their wages/incomes and how they can work towards closing at least part of the gap with our living wage level of $255 per FTE in urban areas and $267 per FTE in pre-urban areas.
   - **Non-financial elements of decent jobs:** In addition to paying (closer to) a living wage or living income, the Fund is keen to see proposals with a strong strategy towards improving jobs on non-financial elements such as workplace wellness issues and non-financial benefits.
   - **Sector-focus:** Although all sectors are eligible for this call for solutions, we specifically invite proposals covering the following sub-sectors based on their perceived high opportunities for the youth:

     - Horticulture and poultry; textile and apparel; food and beverage processing (agro-industry); renewable energy (the green economy); the digital economy; and matching services.
     - Training services, waste management and scale-up of successfully-incubated projects are areas we consider to hold moderate opportunities for job creation as well.

7. Annexes

Annex 1. Methodology

In order to get a good understanding of the needs and aspirations of the youth, we also worked with four local youth champions who designed and lead their own youth action research. Outcomes of this research in 2021 will be referred to as **Youth Action Research (YAR)** in this report. The youth mainly focused on the question, “what does an accessible and decent job look like for a young person in Ethiopia?” In order to answer this question, the researchers interviewed a total of 112 youth (48% male and 52% female) in Addis Ababa and Hawassa. In addition, they collected data through a quantitative survey amongst 71 youth and interviewed six youth with a distance to the labour market as well.

Another research tool used is the **Living Wage Benchmark Tool**. This tool has been developed together with New Foresight in a pilot in Uganda and has now been used to get an indication of a reasonable living wage in Addis and Hawassa. A living wage does not look at the average pay in a certain area but rather at what would be needed for a decent live style. Elements of a decent standard of living include food, water, housing, education, health care, transportation, clothing, and other essential needs including provision for unexpected events. For this research the youth champions have gathered primary data through a survey to get insights on renting prices, transport or costs for education; and gathered prices of food items of a model diet at markets, supermarkets or street vendors. The primary data, combined with secondary data through desk research led to a recommended living wage in both area’s that will be referred to as the ‘Living Wage Benchmark’.

Annex 2. Youth categorization analysis

Basis and assumptions:

- The analysis done for the year 2022 based on CSA projections and other supplementary sources
- Categories 1-4 were determined based on the youth aspiration action research conducted by VSO Youth Champions.
- It is important to note that categories 1-5 are NOT mutually exclusive! It is possible that sections of the youth population could fit two groups or more.
- Category 1 has multiple layers of criteria. To simplify, the criterion, "youth with little to no formal education", for which there is data, is used as a proxy to represent this group.
- The number of university and TVET graduates is sharply rising in Ethiopia. A simple ten-year average is used to determine the average number of graduates per year.
- The total population of TVET and university graduates is the cumulative number of graduates found within the range, average age at graduation to 29 years (further explained below).
- The youth in Ethiopia are officially defined as those people in the age group of 15-29 years.

I. Summary of findings of projections and calculations

Category (also informed by the YAR)	*Youth Population (Estimates)*		*Reference/Remark*	
	Estimated value	*%*		
Category 1 - Marginalized, vulnerable youth with a distance to the labour market; typically, youth with little to no formal education, young mothers from poor backgrounds, persons living with a disability. Most youngsters in this category have multiple vulnerabilities and the majority struggles to earn a living in their daily lives.	15,123,555	31%		
Category 2 - Rural-based youth with only/mostly access to unsustainable **self-employment options** but no additional social or physical challenges; These young people generally live in peri-urban areas and often engage in agricultural activities. The highest level of education for most of them is either secondary school or certificate-level courses. This group would benefit from training opportunities to boost their skills and enhance access to entrepreneurship and employment opportunities.	18,435,390	38%		
Category 3 - Youth with a technical education (TVET) and the ability to become technical craftsmen; This is the category of youth who are self-employed or employed and have studied in the area of mechanization, welding, plumbing, electricians, beauticians or similar vocational courses.	5,381,052	11%		
Category 4 - University-educated youth based in urban areas; with a huge growth in number of graduates entering the labour market every year it is extremely competitive. Covid-19 has also had an impact on youth employment in Ethiopia with many graduates having to retrain due to reduction of their sector.	9,894,616	20%		
Category 5 – Youth employed in industrial parks	300,000	1%		
Total: Category 1-5	**49,134,614**	100%		

II. Calculations and Projections to Determine Population Size of Youth Categories 1-5				
Youth population statistics by 2022				
Total Ethiopia population (2022)	105,000,000		CSA (2013). *Population projections for Ethiopia: 2007-2037*	
Youth population 15-29 years (2022)	30,772,234	29%	CSA (2013). *Population projections for Ethiopia: 2007-2040*	
Rural youth population 15-29 (2022)	23,044,238		CSA (2013). *Population projections for Ethiopia: 2007-2040*	
Urban youth population 15-29 (2022)	**7,786,498**			
TVET graduate profiles				
TVET graduates from public & private colleges in 2010=	114,780		Source 1	Source 2
Growth rate (enrolment)=	30%		Source 2	Source 3
Average number of TVET graduates per year (ten-year average)	489,187			
Average age of TVET graduate= 17+1=18; number of years in the youth age category=	11			
Total number of TVET graduates in the youth age category=	**5,381,052**			
University graduate profiles				
Number of university graduates per year (average for ten years)	1,236,827			
Growth rate	13%		Source	Source
Average age of university graduate= 17+4= 21; number of years in the youth age category=	8			
Total number of university graduates in the youth age category=	9,894,616.38			
Rural self-employment facts				
As of 2013, agriculture accounted for 83% of rural employment (down from 88% in 2005)			JCC (2021)	
The percentage of employed people without waged jobs in 1999 was 92 percent, falling only marginally in 2013, to 90 per cent.			JCC (2021)	
Total rural youth population in 2022	**23,044,238**			
Self-employed rural youth, moderately estimated at 80% of total rural youth population	**18,435,390**			

National youth education profile				
			Source	
Youth population 15-24 years (2022)	21,605,078		CSA (2013). *Population projections for Ethiopia: 2007-2040*	
Youth with little to no formal education estimated @ 70% of total youth 15-24 years (also taken as a proxy to youth in Category 1 which is quite diverse)	**15,123,555**			
Jobs created by industrial parks				
Industrial Parks Development Corporation (IPDC) claims more than 83,000 jobs have been created so far				
Jobs in industrial parks (IPDC, Private, Agro-industrial), roughly estimated @ 100,000 each (high-end estimate)	**300,000**		Source	
Disability in Ethiopia				
Based on the World Report on Disability jointly issued by the World Bank and World Health Organisation, there are an estimated 15 million children, adults and elderly persons with disabilities in Ethiopia, representing 17.6 per cent of the population.	18%		Source 1	
Estimated youth (15-29) with disabilities based on the national disability rate of 17.6%	**5,415,913**			

Annex 3. Short overview of the impact of COVID-19 on Ethiopia's economy and household income

As would be expected, Covid-19 has brought about negative impact on incomes and jobs. In terms of sector, the service sector (tourism, hospitality, aviation, trading, retail), manufacturing, and construction were most affected and the agriculture sector least affected by COVID-19; the pandemic also had a significant negative effect on nonfarm (household) enterprises. [118] COVID-19 related job losses were higher in urban compared to rural areas and for women compared to men; higher job losses for women will further deepen the already wide gender gaps in employment. 44% of Ethiopian households reported their income has decreased due to Covid-19; the effect on income is higher in urban (57%) compared to rural areas (39%). 91% of households were working before COVID-19; currently this figure is 82%, which shows 9% of households had lost their jobs as result of COVID-19.[119] Our own interviews also indicated that job levels at the industrial parks are back to pre-COVID-19 levels although they suffered immediately after the onset of the pandemic in March 2020.

In terms of the impacts of COVID-19 in the 2020-2021 period, 44% of Ethiopian households reported their income has decreased; this effect was more severe on urban households than rural ones (57% and 39% respectively) [120]. Likewise, COVID-19 related job losses were higher in urban compared to rural areas and for women compared to men[121]. The sectors that were more affected by the pandemic are the service sector, manufacturing, construction and nonfarm (household) enterprises. However, good signs of early recovery were also reported. An Ethiopia Economic Update report concluded, "Despite the 4.1% decline in merchandise exports [due to COVID-19], excluding gold, during the first half of 2020, most items (except garments) started to recover during October-December, 2020.[122] Services exports started to recover as well, and remittances rebounded strongly during the first half of the fiscal year."

The report also argues that, "as key macroeconomic and structural reforms are fully implemented by 2022, foreign direct investment, exports, and economic growth are expected to strengthen in the medium term.[123] Mirroring that assessment, the pandemic affected jobs at the Industrial Parks at the beginning, in the months following the first case of COVID-19 in Ethiopia (March 2020). A year later, the impact of the pandemic on jobs at the Industrial Parks has waned and job levels are back to pre-COVID-19 levels.[124]

118 *UN (2021) Socio-Economic impact of COVID-19 on Ethiopia*
119 *Ibid.*
120 *Sanchez, M. et al (2021). Eighth Ethiopia economic update: Ensuring resilient Recovery from COVID-19: World Bank Group.*
121 *UN (2021) Socio-Economic impact of COVID-19 on Ethiopia*
122 *Sanchez, M. et al (2021). Eighth Ethiopia economic update: Ensuring resilient Recovery from COVID-19: World Bank Group.*
123 *Ibid.*
124 *Telephonic interview with Mergia Kuma, Environmental Protection and Social Safeguard Directorate Director of IPDC (dated 10.11.20210).*

Annex 4. Types of jobs and employment options in Ethiopia

Source: Reproduced from: (1) CSA (2020). Key findings on the 2020 urban employment unemployment survey: A comparative analysis with 2014-2016 and 2018 survey results; and (2) GoE (2009). National employment policy and strategy of Ethiopia.

Criteria	*Category*	*Estimated share*	*Definitions*
***By employment in economic sectors* in urban areas in 2020**	Service	54.3%	Service sector comprises: electricity and gas; water supply; transportation; accommodation; information and communication; financial and insurance activities; real estate; professional and scientific and administrative support; public administration; defence; compulsory social security; education; health and other social activities; hotel and restaurants
	Trade	17.6%	Comprises wholesale and retail trade
	Agriculture	14.8%	Agriculture (horticulture/floriculture); Livestock (poultry)
	Industry	13.3%	"Industry" is comprised of manufacturing, mining, quarrying and construction industry
By "status in employment"[125]	Self-employment: Business, Agriculture	35.6%	
	Government organisations	23%	
	Private organisations	17.6%	
	NGO	-	
	Unpaid family work: Business, Household	10%	
	Domestic work	5.7%	
	Employers	-	Additional category identified by the National Policy and Strategy of Ethiopia (2009). This form of employment comprised 1% in 2006 according to the data cited by the Strategy.
	Others: Cooperatives, apprentice, etc.	-	Additional category identified by the National Policy and Strategy of Ethiopia (2009). This form of employment comprised 2% in 2006 according to the data cited by the Strategy.

125 *Status in employment of a person indicates the level of involvement and the degree of decision making in his main activity.*

Informal sector	Household enterprises	16.1%	Criteria used In CSA surveys to determine informality: employed persons were asked whether the business/ enterprise they were engaged in: a) have book of account or b) license and c) its production of goods or services is mainly for the market. Based on the response to these three questions, classification on sector of economy was made as: formal, informal or "not identified". Employed persons who satisfy at least one of the above conditions ('a' or 'b' answered 'yes') were considered as working in the formal sector. On the contrary, those who respond "no" for 'a' and 'b' and 'yes' for 'c', were considered as informal.
	Unincorporated enterprises		
Subsistence farming and private households		-	As per the recommendation given in the 15th International Conference of Labour Statisticians (ICLS), the figure for employed persons indicated above does not include those engaged in subsistence farming and working in private households, therefore, persons in these categories were exempted from the analysis of formal and informal sectors of employment.

Annex 5. Sectoral profile of the Ethiopian economy

The sectors have been pre-selected based on literature review (including the Ten-Year Development Perspective Plan) and assessment of the commonly mentioned high potential sectors by the Government of Ethiopia, importantly by the JCC (as analysed in the National Plan for Job Creation 2020-2025). The views of other stakeholders (development agencies and business) have been integrated.

Sector	Assessment	Sub-sector	Share of GDP [%]	Growth rate (2013-2018) [%/ annum]	Investment Share [%]	Key high-potential areas
Agriculture	- Agriculture has been growing at an average of 6% sector growth since 2011, while its share of GDP continues to decline - Future jobs: with an increased focus on industrialization, there are growing opportunities in agro-processing	Agriculture (horticulture/ floriculture)	31.70%	4.90%	3.10%	High potential for export development in vegetables and fruits.
		Livestock (poultry)				High potential for export development in livestock
Industry - Manufacturing	- Manufacturing has been steadily growing during the 2011-2017 period, peaking in 2017 with a 24.7% growth rate, albeit a sharp decline registered in 2018 at 5.5% - Future jobs: entry-level jobs in basic manufacturing industries	Agro-processing (food and beverages)	6.80%	16.70%	46.20%	Food, beverage and packaging technology imports have increased by 24% in 2017, making this sector a high-potential import substitute
		Apparel, leather and textiles				Potential for manufacturing exports is high due to a growing international recognition. Important future public investments including for the planned Modjo Leather City.
		Pharmaceuticals and chemicals				Chemicals, pharmaceuticals, construction and housing material, vehicles, etc.
		Other manufacturing				
		Electricity and gas (renewable energy)	0.70%	7.40%	0.1%	More than 50% of the population still lacks access to electricity; the potential for renewable energy is immense
		Water supply and waste management				61 million Ethiopians lack access to safe water and 65 million lack access to good sanitation

Sector	Assessment	Sub-sector	Share of GDP [%]	Growth rate (2013-2018) [%/ annum]	Investment Share [%]	Key high-potential areas
Industry - Construction and mining	- In 2017/ 2018, the construction industry expanded by 15.7% signifying the leading role of the construction sector while GDP growth for the mining sector has averaged -12.7% since 2013, with low levels of investment - Future jobs: jobs with specialized skills	Construction	19.30%	25.90%	15.50%	The urbanization of the country is demanding high investments in construction
		Mining	0.20%	-12.70%	0.2%	The country has deposits of coal, opal, gemstones, kaolin, iron ore, soda ash, and tantalum, but only gold is mined in significant quantities

Sector	Assessment	Sub-sector	Share of GDP [%]	Growth rate (2013-2018) [%/ annum]	Investment Share [%]	Key high-potential areas
Services	- The services sector has shown consistent growth, with an average of 10.3% from 2010-2015, and an average of 9.4 from 2016 to 2018. Hotels and Restaurants sub-sector grew the fastest at an average of 21.9% from 2010-2015 & 30% from 2016-2018 - Future jobs: customer service jobs in sectors such as tourism, specialized jobs in the digital sector	Arts, entertainment and recreation	8.70%	6.90%	1.40%	The potential development of art sector can be boosted by the development of the tourism sector
		Education				About 12% of the primary school age population is out of school; and the lack of teachers for the large population is a constraint for quality education
		Financial services				Around 80 million people are unbanked population, suggesting a large growth potential for the industry
		Health and social services				Ethiopia has a global deficit of 2.4 million doctors, nurses and midwives, showing the need for investment
		Hotel and restaurants (tourism)	2.60%	16.40%	1.80%	A lack of supply of high-quality hotels and the relative lack of seasonality of conference and business travel
		Information, communication and technology	5.00%	13.00%	0.10%	During 2017/18 fiscal year, the number of mobile subscribers was 40 million, less than 50% of the total population
		Transport and storage				Many opportunities for additional investments (e.g., congestion at ports)
		Public administration and defence	4.50%	9.00%	-	Sector growth likely to be limited
		Real estate activities	4.30%	4.40%	31.40%	Potential is high in urban cities such as Addis Ababa, mainly due to high migration
		Wholesale and retail	14.10%	11.20%		Benchmarks show that retailing starts to expand significantly when a country's GDP per capital reaches $750, Ethiopia was at $768 in 2017

Annex 6. Sector Analysis

The assessments reflect the team's well-informed personal assessments based on desk research validated by youth aspiration sessions and interviews with employers & relevant development partners.

Sectors	*Potential to create jobs for youth, (Especially Post COVID-19)*	*Opportunities for women*	*Interest of youth and women to work in the sector*	*Required skills level*
Agriculture/ horticulture	**High** - Agriculture created the most jobs but this needs to be of waged type - Off-farm Agri-Services have huge untapped potential - Three huge agro-industrial parks have opened, require labour and services for RM aggregation and semi-processing - Huge local market for horticulture products & also export potential - Skill: bulk is in low-medium range; also highly skilled labour for Integrated Agro-Industrial Parks (IAIPs)	**High** - Off-farm sector hold huge potential - Semi-processing to supply IAIPs	**Low-Medium** - Traditional agriculture is low - New Agri-Services and IAIPs is medium	**Unskilled - High-skilled** - Traditional agriculture is low skill - Off-farm services could be medium to high skills - IAIPs need low- high skill range
Poultry	**Medium** - Demands for eggs and chicken meat growing; demand met by import as well - Largely small-scale so far - Poultry feed production has huge potential	**Medium** - Both chicken raring and poultry feed have un-met demands	**Low**	**Unskilled to Semiskilled** - Chicken farming is low skilled - Poultry feed requires semi-skilled labour
Textile/ Apparel	**High** - A growing number of public and private industrial parks being set up and already operational - A labour-intensive sector - Investment incentives and access to market to AGOA) - COVID-19 & security situation impacted on demand and logistics	**High** - Labour intensive sector traditionally dominated by women (80-90%)	**Low-Medium** - Perceptions about low wage and work-place issues need to change	**Un-skilled to Semi-skilled** - Bulk is low skilled + small number of semi-skilled labour
Renewable energy	**Medium** - Productive Use of Energy (PUE) technologies has an un-tapped potential, especially in agriculture - JCC estimates PUE applications can create up to 190k jobs - Horticulture & cluster wheat production (irrigation) & dairy (cooling) are where potentials lie - Skill: mid-to high skilled labour	**Low- Medium** - PUE is getting focus - Also, off-grid lighting and solar kiosks	**Medium-High** - Green economy is one of the areas the youth love to incubate ideas	**Semi-skilled - High-skilled**

Sectors	*Potential to create jobs for youth, (Especially Post COVID-19)*	*Opportunities for women*	*Interest of youth and women to work in the sector*	*Required skills level*
Food & beverage processing	**Medium** - Beverage sector is growing (beer, bottled water, soft drinks and winery (over 300+ firms) - Bottled water sector small-scale but numerous - COVID-19 & inflation could have dented consumer demand.	**Medium-High** - Beverage factories mostly need technically trained people in which women are under-represented - Food processing holds promise for women	**Medium-High** - Water bottling companies dominate the sector - With breweries and wineries expanding interest could grow as well	**Semi-skilled to High skilled**
ICT/Digital Economy	**High** - Got government focus: Digital Ethiopia 2025 - Huge demand for modernising service delivery through digital technologies - Digital financial services is another area - Agribusiness, tourism and - Skills: High technical skills	**Low- Medium** - Women under-represented in digital economy (training & practice) - Digital economy itself holds promise for women, e.g., to sell products and services through existing platforms	**High** - Regarded as trendy and topical - Actual market for the digital economy has yet to be unlocked	**High-skilled**
Waste management	**Medium-High** - PDP-10 has strong focus on the Green Economy - Generation of MSW is growing (volume) - Use & throw consumerism is on the rise necessitating recycling of packaging waste: Plastics, PET bottles, paper, glass. - Inflation & Covid-19has impact on consumer spending - Skills: low-medium technical skills	**Medium-High** - A number of the successful green/recycling businesses are owned by women - Women are very active in the green value-chain (collecting recyclables) - Need for Extended Producer Responsibility rules for companies to create further demand	**Medium-High** - Interestingly recycling and other green economy are areas in which the youth incubate ideas - Still, the image of "waste" associated with waste pickers only needs to change	**Unskilled to Semi-skilled**
Matching services	**Medium-High** - Jobs created indirectly (through matching) - Up to 1m and 400k university and TVET graduates looking for job; - Skills: medium-high technical skills (for jobs matched) - Covid-19 and insecurity has impact on the economy as a whole	**Medium- High** - The majority of unemployed youth are women- so can benefit from matching services	**High** - Huge number of TVET & university graduates waiting to be matched to their dream jobs	**Semi-skilled to High skilled (for jobs that are going to be matched!)**
Training services	**Medium** - Jobs created indirectly (through demand-driven training) - Skills: medium-high technical skills (based on demand matched) - Covid-19 and insecurity has impact on the economy as a whole	**Medium- High** - The majority of unemployed youth are women- so can benefit from market-related training	**High** - Growing in enrolment in TVETs and universities but skills need to be matched with the market demand	**Semi-skilled to High skilled (for jobs that are going to be created through market related training)**

Sectors	*Potential to create jobs for youth, (Especially Post COVID-19)*	*Opportunities for women*	*Interest of youth and women to work in the sector*	*Required skills level*
Incubation	• A few successful businesses have emerged from incubation efforts ready to scale-up • Driven by youth aspirations to create businesses in ICT, agribusiness and the green economy • Skills: Medium to high	**Low-Medium** • Interest is high but there are few labs especially catering for women who are already under-represented (about 30% participation in incubation labs)	**High** • With an increasing number of youths aspiring to be entrepreneurs, interest is high in incubation, acceleration and scale-up	**Semi-skilled to High skilled (for jobs that are going to be created in the scale-up of the companies)**