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**WORK STATUS AND UNEMPLOYMENT  
IN URBAN ETHIOPIA**

by

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**The views, opinions and interpretations expressed in this report do not necessarily represent the views of CSA or IRP-CNR.**

The responsibility for the structure, contents and conclusions of this paper is to be shared among the five authors. Nevertheless: chapters 3 and part of chapter 6, which deal with matters better known by the Ethiopians, can be attributed to Genevieve Bizuneh and Teshome Adno; chapters 2 and 4 to Giuseppe Gesano, who also developed the first two sections and the fourth one of chapter 5; Frank Heins supervised most of the elaborations and took care of the logit-regression models presented in point 5.3; Antonella Guarneri collaborated in carrying out the data-file elaborations for the household perspective in point 5.4.

## CONTENTS

	page
<b>Contents</b>	i
<b>List of Tables</b>	iii
<b>List of Figures</b>	iv
<b>Chapter 1 Introduction</b>	1
<b>Chapter 2 Work and Non-Work in Developing Economies</b>	3
2.1 <i>Work in rural and urban environment</i>	3
2.2 <i>The dawn of labour markets: Difficulties in defining work conditions</i>	4
2.3 <i>Work and non-work in a changing social pattern</i>	5
<b>Chapter 3 Appraising Employment and Unemployment: Data Sources and Definitions</b>	9
3.1 <i>Introduction</i>	9
3.2 <i>Recent sources of labour-force data in Ethiopia</i>	10
3.3 <i>Scope, coverage, and methodological differences among the three sources</i>	10
3.3.1 <i>Age limits</i>	10
3.3.2 <i>Coverage</i>	11
3.3.3 <i>Economic activity measurement approaches</i>	12
3.4 <i>Employment and unemployment as defined in the 1984 and 1994 Censuses and in the 1999 Labour Force Survey</i>	12
3.5 <i>Focusing on the 1994 Census data: Labour-force items in the short and long questionnaires</i>	14
3.6 <i>Three levels in the study: Urban Ethiopia, selected urban centres, and Addis Ababa</i>	14
<b>Chapter 4 Working-Age Population, Labour Force, and Employment in Ethiopia: Converging and Contrasting Trends</b>	17
4.1 <i>The increasing labour force potential</i>	17
4.2 <i>Work supply and work demand: From apparent equilibrium to dynamic disequilibrium</i>	22
4.3 <i>Unemployment between underestimates, transition, and market mismatches</i>	25
4.4 <i>Labour market trends in Addis Ababa</i>	26
4.5 <i>Work and non-work in a life-course perspective</i>	28
4.6 <i>Changes in the economic structure of the workforce</i>	34
4.7 <i>Some conclusions and hints for interpretation</i>	35

<b>Chapter 5</b>	<b>Socio-economic and Demographic Factors Affecting Labour-Force Participation and Unemployment</b>	37
5.1	<i>Introduction</i>	37
5.2	<i>Differential labour-force participation and unemployment by some demographic and socio-economic characteristics</i>	37
5.2.1	Marital status	38
5.2.2	Kinship relation to the head of the household	40
5.2.3	Number of children living in the household	41
5.2.4	Ethnic group and religion	42
5.2.5	Education	43
5.2.6	Migration status	45
5.2.7	Socio-economic status of the household	47
5.3	<i>The differential risk of labour force participation and unemployment through log-regression models</i>	48
5.4	<i>The household dimension of labour force participation and unemployment</i>	52
5.4.1	The household structure in urban Addis Ababa	52
5.4.2	Household size, work, and unemployment	53
5.4.3	Working and non-working status of household members aged 10-24 years	54
5.4.4	Working and non-working status of household members aged 25-64 years	55
5.4.5	Working and non-working status of household members aged 65 years and over	56
5.4.6	Large households for solidarity and investment?	56
<b>Chapter 6</b>	<b>Work and Unemployment in Selected Urban Centres</b>	61
6.1	<i>Introduction</i>	61
6.2	<i>Geo-economics of urban centres of Ethiopia</i>	61
6.3	<i>Changes in labour-force participation and unemployment in selected urban centres, 1984-1994</i>	65
6.4	<i>Labour-force participation and unemployment in selected urban centres, 1994</i>	71
<b>Chapter 7</b>	<b>Summary, Conclusions, and Recommendations</b>	77
7.1	<i>Reasons and limits of this study</i>	77
7.2	<i>Main results</i>	77
7.3	<i>Conclusions and recommendations</i>	80
<b>References</b>		83

## LIST OF TABLES

	page
Table 3.1 Labour force participation rates of children aged 10-14 years: 1984, 1994, and 1999	11
Table 4.1 Working-age population (15-64 yr) by sex and residence: 1984, 1994, and 1999	18
Table 4.2 Demographic dependency ratio by component and residence: 1984, 1994, and 1999	18
Table 4.3 Age structure of working-age population by sex and residence: 1984, 1994, and 1999	19
Table 4.4 Standardised headship rate of working-age population (15-64yr): 1984, 1994, and 1999	21
Table 4.5 Standardised literacy rate of working-age population (15-64yr): 1984, 1994, and 1999	22
Table 4.6 Gross labour-force participation rate by sex and residence: 1984, 1994, and 1999	22
Table 4.7 Gross employment rate by sex and residence: 1984, 1994, and 1999	23
Table 4.8 Economic dependency ratios and peripheral/core employment ratio by residence: 1984, 1994, and 1999	24
Table 4.9 Unemployment rate by sex and residence: 1984, 1994, and 1999	26
Table 4.10 Notional number of years spent in active/non-active conditions by sex and residence between 10 and 64 years of age: 1984, 1994, and 1999	33
Table 5.1 Logistic regression results for labour-force participation: urban Ethiopia 1994	50
Table 5.2 Logistic regression results for unemployment: urban Ethiopia 1994	51
Table 5.3 Overview of the household structure: urban Addis Ababa, 1994	53
Table 6.1 Average growth rate of the population aged 10 years and over and of the labour force for selected urban centres: 1984-1994	66
Table 6.2 Activity rate by sex for selected urban centres: 1984 and 1994	67
Table 6.3 Unemployment rate by sex for selected urban centres: 1984 and 1994	70
Table 6.4 Gross and standardised activity and unemployment rates by sex for selected urban centres: 1994	73

## LIST OF FIGURES

Figure	4.1	Components of total change in unemployed population: Addis Ababa, 1984-1994 and 1994-1999	page	28
Figure	4.2	Age-specific labour-force participation rate by sex and residence: 1984, 1994, and 1999		29
Figure	4.3	Age-specific unemployment rate by sex and residence: 1984, 1994, and 1999		31
Figure	4.4	Notional share of the working-age span (15-64 yr.) by sex and residence: 1994 and 1999		32
Figure	4.5	Economically active population by employment status, residence, and sex: 1984, 1994, and 1999		34
Figure	5.1	Labour-force participation rates by marital status: urban areas, 1994		38
Figure	5.2	Unemployment rates by marital status: urban areas, 1994		39
Figure	5.3	Labour-force participation rates by the kinship relation to the head of the household: urban areas, 1994		40
Figure	5.4	Unemployment rates by the kinship relation to the head of the household: urban areas, 1994		41
Figure	5.5	Female labour-force participation rates by the number of own children living in the household: urban areas, 1994		42
Figure	5.6	Labour-force participation rates by education: urban areas, 1994		43
Figure	5.7	Unemployment rates by education: urban areas, 1994		44
Figure	5.8	Labour-force participation rates by migration status: urban areas, 1994		45
Figure	5.9	Unemployment rates by migration status: urban areas, 1994		46
Figure	5.10	Labour-force participation rates by economic status of the household: urban areas, 1994		47
Figure	5.11	Unemployment rates by economic status of the household: urban areas, 1994		48
Figure	5.12	Work and non-work status of household members by household size: urban Addis Ababa, 1994		54
Figure	5.13	Work and non-work status of household members aged 10-24 years, by household size: urban Addis Ababa, 1994		55
Figure	5.14	Work and non-work status of household members aged 25-64 years, by household size: urban Addis Ababa, 1994		55
Figure	5.15	Work and non-work status of household members aged 65 years and over, by household size: urban Addis Ababa, 1994		56
Figure	5.16	Incidence of household members of specific non-active statuses, by household size: urban Addis Ababa, 1994		57
Figure	5.17	Net economic dependency ratio per employed member by household size: urban Addis Ababa, 1994		58

Figure	6.1	Towns according the industry of their economically active population: 1994	page	63
Figure	6.2	Male activity rates for selected urban centres: 1984 and 1994		68
Figure	6.3	Female activity rates for selected urban centres: 1984 and 1994		69
Figure	6.4	Male unemployment rates for selected urban centres: 1984 and 1994		71
Figure	6.5	Female unemployment rates for selected urban centres: 1984 and 1994		72
Figure	6.6	Male vs. female activity rates for selected urban centres: 1994		74
Figure	6.7	Male vs. female unemployment rates sexes for selected urban centres: 1994		74





# Chapter 1

## Introduction

Since its beginnings the modernisation of an economy implies paramount changes in its labour force. The size, location, and structure of the workforce progressively lose the indefinite status connected to the rural way of living, where biological and working life nearly coincide within the household and farm activities, often following the seasonal cycle of hard work and forced rest. In the modern sector, instead, people are either in or out of work, in temporary or permanent way. The study of working status and unemployment is hence meaningful and worthwhile only where the prevalent economic framework is not traditionally rural: urban Ethiopia may be the case.

Being Ethiopia among the countries with a rapidly growing population coupled with a still backward economy, the proper management and efficient utilisation of its work force is essential. In this respect, the capacity of the economy in absorbing the potential labour force needs to be monitored regularly, and appropriate employment policy should consequently be adopted. The level of unemployment of a country is widely used as an overall indicator in evaluating the current performance of its economy. The problem of unemployment is a global issue at the moment that every nation is striving to control it at its minimum level. However, in developing nations it is getting worse mainly due to the unbalanced relationship between the rate of economic development and the rapid population growth. Ethiopia is no exception in this regard, and its recent urbanisation is aggravating the problem because of the urban migration of people with scarce or nil real working prospects, who therefore often slip into some form of underemployment or remain idle for productive work.

The analysis of working status and unemployment is therefore essential both in tackling present difficulties and foreseeing future changes. For the former, a household approach is also important in order to single out the poor condition of the households with no working components. For the latter, the relationship with the usual demographic variables (sex and age groups, civil status, etc.), and with the educational level attained, previous residence, number of years lived in town, etc. could be useful in advising relevant policies.

Focused on 1994 Census data, this report deals with work and unemployment in urban Ethiopia at that time. Comparisons between 1984 and 1994 censuses will be made with caution because of the important changes in the economic and political pattern occurred in the decade. Wherever possible, data from the 1999 National Labour Force Survey (NLFS or LFS) will be used in order to update the situation from the utmost critical period of the early nineties.

The specific objectives of this study are:

- i) To describe the trends and changes occurred in the working-age population, labour force, and employment;
- ii) To examine the socio-demographic factors that affect the participation of the urban population to the labour force, as well as those which contribute to the high level of unemployment;
- iii) To estimate the economic participation rates and reveal differences by sex in major urban centres, as well as to examine the extent and differentials of unemployment there;
- iv) To draw conclusions from the past and ongoing experience in order to make recommendations for programmes geared towards enhancing employment creation in the country.

The structure of the report follows this design. We first discuss the general theme of work and non-work in developing economies (Chapter 2), with specific attention to the change from rural to urban environment and from self-supporting farming to market economies. Chapter 3 deals with data sources and definitions: also the choices about the territorial dimension of the study are found there. The converging and contrasting trends of working-age population, labour force, and employment in Ethiopia are analysed in Chapter 4 through the data from the 1984 and 1994 Censuses and the 1999 Labour Force Survey. In Chapter 5 we try to identify the socio-economic and demographic factors affecting labour participation and unemployment, with main reference to the 1994 Census data. The geo-economics of urban Ethiopia is introduced in Chapter 6 with the comparison of labour force participation and unemployment in 31 urban centres selected by demographic size and to represent the different parts of the country. The concluding Chapter 7 summarises the major findings and tries to give some hints for policy implications and recommendations.

## Chapter 2

### Work and Non-Work in Developing Economies

#### *2.1 Work in rural and urban environment*

Work and workers have had a different role and had been considered differently over time. Their role and consideration vary as the economic and social environment vary [Lefranc, 1975]. In rural and poor economies, contributing to the production of the household income is a duty for almost all its members able to work. In these economies, defining working-age or even working time is rather difficult. Work and non-work intertwine during the day, the week, and the seasons according to the need to labour in the fields and to weather conditions. This variability in work is felt throughout almost all of a person's life, from childhood to old age, the amount of work and the functions carried out at most depending on his/her physical capabilities and any skills he/she may have acquired.

Therefore, the proportion of active or employed people in the population as a whole has little meaning in those context. As a corollary to this situation, women generally participate fully, and with recognition, in productive work, both in the fields and possibly in craft or small-scale trading activities often carried out in the context of the family<sup>1</sup>. Elderly people are also unlikely to be completely inactive, unless they are ill or incapable: they also contribute as much as they can and with the benefit of their experience to the work of the family or tribal group to which they belong.

In subsistence or mainly self-supporting farming economies, the non-work condition includes special situations (e.g., different kinds of inabilities), which are often problematic for the reference community. In fact, the status of job-seeker presupposes the presence of a market where the demand for and the supply of labour face each other. Such a situation is not common in traditional economies. Nevertheless, the self-declared unemployment may be important also there because of both the urgent need of higher income and the wide perception of underemployment.

The passage to an urban environment and, even more so, to a market economy means that we are better able to define and delimit work and non-work conditions. Anyway, this transformation is by no means immediate and complete. The timing and the ways in which the urbanisation process begins and the passage to a market economy develops can prolong conditions of backwardness and a lack of definition even in the urban labour market.

In developing countries, the huge growth of the towns derives more from push factors emerging from rural overpopulation and poor living conditions than from any pull factors of an actual demand for labour due to the expansion in modern economic sectors. In a process which has been well described and criticised by several scholars (e.g.: Sinclair, 1978; Gilbert and Gugler, 1982; Tolley and Thomas, 1987; Harris, 1988; Oberai, 1987), job opportunities are in fact created on the basis of the urbanisation process itself<sup>2</sup>, but the jobs themselves are often very precarious and temporary in nature, sometimes even relegated to the fringes of the legal economy. If we refer to the part of the population that has most recently arrived in the towns or, in any case, to the least structured part of it we could possibly say that the 'normal' condition is that of non-work often interrupted by episodes or periods of work, while people are usually looking for work or at least for a better and more stable job.

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<sup>1</sup> Where this is not the case, in some countries or ethnic groups, it is for cultural or religious reasons that limit the social visibility of work of women even if they still contribute to the creation and management of family income.

<sup>2</sup> The sector more directly linked to urban growth in developing countries is obviously the housing industry and associated activities, most frequently involving people who build their own houses by themselves.

Nevertheless, mainly in the towns we have a demand for temporary or permanent work that may encourage both the supply of local labour and immigration from the rest of the country. In the towns there are national or local government structures which usually employ the most stable and secure workforce. In addition to this, there are many structures providing services for the population (e.g., health services, schools, transport, etc.), both public and private in nature, and the demand for such work varies in function of the size of the catchment population and the resources available for each service offered. Mainly in the town or its suburbs, the processes of industrialisation develops with the consequent direct and indirect demand for labour. Lastly, the development of the commerce and service sector, in all its forms from the most antiquated to the most up-to-date, finds a specific place in the urban environment, where it can benefit from economies of scale and various synergies, and where workers of an adequate educational level can also be found.

Therefore, in developing countries, in the context of a dual economy, the combination of urbanisation and work defines a labour market in opposition to the rural one [Shukla and Stark, 1987], even in case the latter exists as a real matching point for the demand and supply of labour and not only in statistical terms which lack any real economic meaning. The urban labour market also covers the greatest qualitative range of demand for labour, allowing for wide variations in supply. There, people can hope to find more easily a job that meets their own characteristics or expectations: in consequence, it may well be worth investing family resources in the education of children, in the hope that although they may enter the labour market later they might find higher and better paid positions.

The dynamism that characterises a large and growing part of the economic initiatives that provide the demand for labour (employing both those already present or those attracted to the urban centres) induces an extreme variability in the quantity and quality of demand for work. This can also create pockets – even quite large ones – of unemployment, while people are waiting to find their first job, or to take up the positions created or because they have been made redundant, or while they are between jobs.

Lastly, the nuclearisation of families and the division of domestic roles by gender, at a certain stage of urban transformation and for certain upper/middle social groups of the population may encourage the predominance of the model of the small bourgeois family, in which the husband is the single breadwinner and the wife stays at home, remaining outside the labour market.

## *2.2 The dawn of labour markets: Difficulties in defining work conditions*

Variety, mobility, and uncertainty strongly characterise labour market formation in the urban centres of developing countries. In fact, different occupations and labour markets co-exist there. Jobs range from traditional activities, very often carried out on personal initiative following the market demand for commodities and services, to the professions in the civil service or the army, where a formal entrance, career and exit are provided. In between we find a variety of activities and jobs which entangle different kinds of labour relations and contracts, as well as they are largely different for what regards the certainty and duration of work.

A sharp divide is often drawn between a ‘formal’ and ‘informal’ sector, mainly referring to the ‘protection’ assured to the worker in what regards minimum wage, health, safety, and other benefits. Many of the informal jobs are casual, insecure and irregular, and comprise ‘marginal activities’ in the field of services to persons or properties [Singh, 1992]. Urban poverty is not linked only to the informal sector, which in some cases can be more remunerative than the equivalent formal jobs: a positive relationship between poverty and employment in the informal sector is suggested from the relevant researches, however [Rodgers, 1989]. Actually, wherever the workers’ rights and wages are scarcely defined such a sharp divide can hardly be drawn but

singling out the dependent work in the most structured sectors, both public and private. All the other labour activities fade into the informal sector, at least partially, either because of their precariousness or the work and contractual conditions in which they are carried out.

Therefore, employment, underemployment, and unemployment are work statuses which can overlap frequently in reality, also in almost short time-lags, as well as in the worker's perception. The latter might be biased by the worker's attitudes and expectations, but it should represent his/her 'normal' work status at the time of the survey. The reference to a precise date or short period in the questionnaire can otherwise help him/her in defining his/her 'current' status at that time, but it links the replies to possible conjunctural factors, which might introduce biases at both the individual and collective level. This way is commonly suggested by the international bodies (ILO, UN, etc.) in surveying the work status, though recovering all the workers who, normally engaged in a labour activity, could not perform it in the reference period because of any personal or general obstacle.

Such definitions are easy to be applied where work contracts and rules are widely present in the labour market, so that workers can report their 'permanent' status without ambiguity. On the contrary, where the labour activity mainly comes from an almost daily bargain or personal initiative the precise time-reference in defining one's work status might either exalt the temporary condition, since the 'permanent' one is hardly to be singled out, or it might be skipped in a more loose interpretation by the respondent.

This is particularly important in defining unemployment, which is the condition of people without work but willing to work, who either carried out specific actions in order to find a job during the reference period, or did not so. The former situation (job-searching) fits the 'narrow' or 'strict' definition of unemployment, the latter the 'broad' or 'loose' one. The inclusion of the non-searching unemployed people into the labour force is also discussed.

Though in general the ILO recommends to use the strict definition, it recognizes that the loose one may be more appropriate «where the conventional means of seeking work are of limited relevance, where the labour market is largely unorganised or of limited scope, where labour absorption is [...] inadequate, or where the labour is largely self-employed» [ILO, 1995: 407]. Experts wonder which definition better fits the labour pattern prevailing in less developed countries, since the length of unemployment and the cost of job-seeking (e.g., the cost of transportation from the countryside to the labour market in towns) might induce part of the jobless not to search for work, so that their unemployment is hidden to the statistics relying on the strict definition [Berry and Sabot, 1984; Endale, 1995].

Lower unemployment levels than the reality can be interpreted in two different ways: with either the 'discouraged worker' hypothesis or the 'taste for unemployment hypothesis [Kingdon and Knight, 2000]. The former hypothesis says that a long-term unemployment, the high costs in seeking work, and an adverse local economic condition may induce people to give up their job-search (strict definition), and even to consider themselves out of the labour force (loose definition). The 'taste for unemployment' hypothesis is drawn for a less poor stage of the economy, in which the richer the households are, the more or longer some of their components can resist out of work, even not searching for a job. However, these same favourable conditions lead to a selected job expectation, so that the children's (broad) unemployment increases though their job-searching actions may lack.

### *2.3 Work and non-work in a changing social pattern*

Economic characteristics are not the only ones affecting work conditions in the urban environment. A profound diversity and changing social structures and relationships lead to attitudes and behaviour as regards work that are very different from those to be found in the rural

environment. In particular, work and the income derived from it tend to lose the collective aspect which characterises the rural and underdeveloped environment, to take on a value more closely connected to the qualifications and job longings of the individual.

The very extent of the use to which work income is put tends to be reduced to the single nuclear family comprising parents and their children as are the related choices between immediate consumption and investment. More specifically, the choices between work and non-work or deferred work are more often than not made within the nuclear family, considering the overall economic possibilities of the moment and the expectations of the future prospects of all the family members.

In particular, the presence or absence of women in the labour market depends on a series of cultural, economic and social factors that vary according to origin, level of family objectives as well as on a series of objective surrounding factors (e.g., availability and characteristics of housing, existence of a family network, etc.), and also on choices and outcomes in terms of reproduction and child rearing. A real or presumed improvement in the economic and social status of the breadwinner could lead a wife to leave or never enter the labour market, at least the official one, thus depressing the relevant participation rates. This is more likely to occur at the initial stage of modernisation of the society, while traditional cultural models live on and women's levels of education and labour participation are fairly low. The situation changes rapidly as soon as the new generations of more educated women develop an awareness of their social as well as their family role and they gain the knowledge they need to compete with men in specific labour markets. Furthermore, at this stage, increased consumption and family needs require the production of an income which is unlikely to be forthcoming from a single breadwinner. The wife's and/or cohabiting daughters' earnings become an indispensable supplement if the family wants to achieve a higher standard of living.

However, it is above all as regards the children that choices have to be made between early entry into the labour market and deferred entry in order to attain a higher educational level, in other words between a job with an immediate but generally low income and the hope of exploiting better educational qualifications in the market dynamics characterising the urban environment or, more usually, by finding a secure job in public service in the town. The greater availability of education services in the towns and the wider range of choices means that these plans are practicable although there is the double cost of a missing contribution to family income from a child's work and the direct and indirect costs borne by the family to support the child's period of education.

The effect on labour market variables of this deferred entry for study reasons is obviously that there are fewer young people available for work, if study and work are considered irreconcilable. This should reduce youth unemployment figures even in the presence of light demand for low-level jobs. The qualitative diversification of supply could in theory better match demand by offering different levels and specialisations. Nevertheless, higher school enrolment can at least temporarily increase youth unemployment and its continuation into older age groups. There are various reasons for this: from the inadequacy of the school curricula in relation to the labour market needs to the poor qualitative development of demand, and also because of the possible dyscrasia between the jobs and working conditions on offer and those hoped for as a result of better educational qualifications. Job-seeking by educated sons and daughters could be prolonged over time and as they age in inverse function of their overall number and in direct function of family income. The favourable situation where incomes are medium-high and there is a low number of children may be more common in urban environments characterised by strong social mobility as is particularly the case in developing countries and areas.

The changing structure of households and families following urbanisation can also have important effects on behaviour in the labour market. It has already been pointed out that

household nuclearisation delimits the responsibilities and benefits of work choices making the family nucleus an independent unit before the alternatives offered by the market. In the towns, the vertical or horizontal links between the different nuclei comprising the extended family or clan have been weakened but not completely broken. These links can condition work choices and they also represent a safety net in the event of difficulties or failures. In consequence, in a modernising urban environment, work decisions made by individuals and family nuclei imply a greater dose of risk since they are less protected by the reference community (extended family, clan, village, etc.). In compensation, the income earned in this way has a more limited distribution – almost entirely within the worker’s own family nucleus. It is therefore easier to see the connection between work done, income earned and the resultant individual and family well-being, thanks also to the monetisation of exchanges. This evidence constitutes an important element in assessing the alternative options of work, non-work or deferred work as mentioned above.





## Chapter 3

### Appraising Employment and Unemployment: Data Sources and Definitions

#### 3.1 Introduction

The International Conference of Labour Statisticians (ICLS), that is being held periodically, is the forum that sets the concepts and definitions of major items in labour statistics that serves as international standards. These international standards are the basis that provide the guidelines in the development of methodologies in the design, collection, tabulation, analysis, and dissemination of statistics on the labour force in both the developing and developed countries. Accordingly, the data collection methodologies followed in the 1984 and 1994 population and housing censuses of Ethiopia were founded on the premises of the international standards except those adjustments made to conform to national conditions. Similarly, in the 1999 national labour force survey, the international standards were reviewed and the recently adopted methodologies were applied. Following the recommendations of the international standards, the statistics on employment and unemployment were measured using the current and usual status approaches in the censuses and the survey indicated above.

It is a widely acknowledged problem that the concepts and definitions of items in labour statistics are difficult to understand and to interpret by interviewers and respondents in censuses as well as in labour force surveys, specifically in developing countries. For instance, to classify a person in either of the productive or non-productive activities, depending on the activities he/she has performed in the reference period is a difficult task for the interviewer. It requires a deeper understanding of the concepts of economic activity as well as the treatment of borderline activities of individuals, which is much more complicated in predominantly subsistence economy countries like Ethiopia.

According to the international standards it is a requirement to classify activities distinctly into economic and non-economic activities. The economic activities are further divided into market production and non-market production. In the 1990 ILO manual on concepts and methods, the concept and boundary of economic activity was defined in terms of production of goods and services as set forth by the United Nations System of National Accounts. As it is indicated in the manual «a clear understanding of the concept and boundary of economic activity is fundamental to the correct application of the definitions of employment, unemployment and economically active population in surveys of households or individuals.» [ILO, 1990: 4] It further states that «the exact boundary between economic and non-economic activities is a matter of convention, but unless a precise line is drawn the correct statistical treatment of many situations encountered in practice cannot be determined and, in consequence, the resulting statistics are more likely to be subject to controversy and to higher response errors.» [ILO, 1990: 14].

The assessment of how the concepts and methods of employment or unemployment were used in the data collection processes of censuses or surveys is highly dependent on the proper application of the definition and concepts of economic activity, as indicated above. The classification of persons into employed or unemployed categories requires first to distinguish if persons have been engaged in productive activity in the reference period or not. However, if one thoroughly analysis the categories given in the international standards on the production of goods and services as specified in the SNA, it might be easier to follow them in advanced economies, where the labour market is highly organised, while it is difficult to meet all requirements in the data collection process in developing countries like Ethiopia. Hence, the quality of employment and unemployment statistics that is obtained from censuses and labour force surveys is highly dependent on the precise distinction of economic and non-economic activities. In general, the

censuses and labour force surveys conducted in Ethiopia were framed as much as possible to conform to the recommendations in the international standards. Nevertheless, as discussed above, specifically, during the data collection operation they share the measurement problems that are common in countries with unorganised labour market, and predominantly agrarian subsistent economy.

### *3.2 Recent sources of labour-force data in Ethiopia*

According to the 1990 ILO manual, the sources of statistics on the economically active population or its components are grouped into three broad categories: «(1) population censuses and household surveys; (2) censuses and sample surveys of establishments; and (3) various types of administrative records, such as employment exchange registers, unemployment insurance records, social security files, public sector payrolls and personnel lists.» [ILO, 1990: 4].

In Ethiopia, a number of surveys on the labour force were conducted, namely the 1999 national labour force survey, two rural based labour force surveys, that is, the 1981/82 and 1987/88, the 1976 Addis Ababa manpower and housing sample survey, and the 1978 survey on population and housing characteristics of seventeen major towns, which incorporated major variables on the labour force. Concerning labour force data from population censuses, there were two national population censuses conducted in 1984 and 1994, which produced data on the labour force. The other sources of statistics on the labour force, like the establishment surveys, even though available they were not properly integrated with either the labour force surveys or the population censuses. Similarly, the data that could be obtained from administrative records are not systematically co-ordinated and the data collection and compilation operation is not supported by a proper technical expertise. Currently, in Ethiopia, the best available data on the labour force that reflect the national, regional and lower administrative level as well as urban and rural areas, are obtained from the two population censuses and the 1999 national labour force survey.

### *3.3 Scope, coverage, and methodological differences among the three sources*

#### *3.3.1 Age limits*

Even though the focus of this study is the 1994 population and housing census, however, information from the 1984 census and the 1999 labour force survey will be used as appropriate. In the collection of data on labour statistics, it is necessary to define the minimum age to define the study population for the collection of information on economic activity of the population. In the two censuses as well as the 1999 labour force survey the minimum age for the study of the economically active population and its components was fixed at ten years. It is well known that in Ethiopia a substantial number of children less than ten years of age are engaged in economic activities, specially in the rural agricultural sector.

In Ethiopia, there is no national legislation that makes education or schooling compulsory or that forbids children from participating in any production or service activities. Furthermore, except in the public sector, where a minimum age of 18 years was set for entrance into employment, there is no national labour legislation that excludes children from admission to formal or non-formal activities below a certain age. Hence, in the two censuses as well as the labour force survey the minimum age limit was fixed based on the general assessment of the extent or intensity of participation of children in economic activities (Table 1).

**Table 3.1 – Labour-force participation rates of children aged 10-14 years: 1984, 1994, and 1999**

<i>Data source and definition</i>	<i>10-14 Years</i>			
	<i>Urban</i>		<i>Rural</i>	
	<i>Male</i>	<i>Female</i>	<i>Male</i>	<i>Female</i>
Censuses				
1984	11.0	11.8	54.7	50.5
1994	11.2	10.7	61.1	54.2
Survey, 1999				
Current	22.9	20.9	67.5	49.5
Usual	13.5	10.8	57.3	43.5

Note: In the 1984 and 1994 censuses economic participation for the urban areas refer to current activity, while for the rural areas to usual activity.

As can be seen from the above Table 3.1, a substantial number of children are engaged in productive activity that justifies starting the enquiry from age 10. For instance, in the 1984 and 1994 census data confirmed that in the rural part of the country above half of the male as well as the female children aged 10-14 years are already in the labour force. In the urban areas, the proportion of those engaged in productive activity has increased between the two censuses as well as the 1994 census and the 1999 survey for boys and girls. Similar trends were observed in the rural areas, where between the two censuses an increase in the proportion of children engaged in productive activity has occurred. However, the pattern does not hold between the 1994 census and the survey, which is due to differences in the definition of children who were working while attending school, in the usual status approach. In the 1999 survey children who are working while attending formal education, even if working most of the year, were considered students. However, in the 1994 census children in such a situation were treated as working children. In any case, the proportion of children aged 10-14 engaged in economic activity is large.

On the other hand, in the two censuses as well as the labour force survey, no maximum age limit was fixed that shows the exit of individuals from the labour market. Hence, economic activity and employment information was always collected from all individuals aged 10 years and over.

### 3.3.2 Coverage

At the time of the 1984 Population and Housing Census, the country was administratively divided into fourteen regions, plus Addis Ababa and Asseb Administrations. The census has been a complete enumeration, where all sedentary areas of the country planned to be covered. Specifically, the census has not covered lowland areas with nomadic population; and due to security reasons rural areas of Asseb, Tigray and Eritrea and some of the urban centres in Tigray, Eritrea and other regions. Overall the census has covered 81 percent of the population of the country [CSA, 1991]. The population that was not covered in the census was estimated.

The administrative structure of the country was changed prior to the 1994 population and housing census. The country at the time of the 1994 census was divided into nine regional

federal states, plus Dire Dawa provisional Administration and Addis Ababa Administration. Unlike the 1984 census, the 1994 census has followed two approaches in its data collection operation, where some basic demographic variables were collected using a complete enumeration while others on a sample basis. Economic activity and other variables were included in the long questionnaire, that was based on a sample of one in five households. In the 1994 census an insignificant part of the country's population was not covered, overall coverage of the census was 99.35 percent of the population [CSA, 1995: 7].

On the other hand, the 1999 national labour force survey as its name implies is a national sample survey. The survey covered all the nine regions and the two administrative areas. However, it does not cover some parts of Affar and Somali regions and no estimates were given for these uncovered areas.

### 3.3.3 Economic activity measurement approaches

In the 1984 census the two economic activity status data collection approaches, that is, the 'current' and 'usual' status approaches were used. However, their application in the urban and rural areas was different. In the urban areas the 'current status' approach was used, while in the rural areas the 'usual status' approach was used. In the rural areas, where the major economic activity is agriculture, the activities of persons engaged in agriculture is highly affected by seasonal variations which call for a longer reference period or a more frequent periodic data collection in order to capture the seasonality effect. On the other hand, in urban areas relative to the rural areas, activities are less affected by seasonal variations: hence, shorter reference periods were appropriate to collect information on economic activity. Even if it would have been interesting to have data following both approaches in the two areas, the nature of census operations makes it difficult to apply both approaches in both areas. Hence, the application of different approaches in the two areas was taken as the only option.

The data collection approach followed above in the 1984 census was repeated in the 1994 census also, where the 'usual status' approach was used in the rural areas, while the 'current status' approach in the urban areas.

It is clear that applying different approaches in the two areas will not facilitate to get aggregate data for the country as well as to make comparisons in the urban and rural areas. However, in both, the 1984 and 1994 census reports, the regional and national estimates were prepared by combining the 'usual' and 'current' status approach.

The 1999 national labour force survey has overcome the drawbacks observed in the two population and housing censuses, since both the 'usual' and 'current' status approaches were employed in the urban and rural areas. Hence, separate reports for the 'usual' and 'current' economically active population and its component sizes were given for the national level as well as the regions by summing up the respective estimates of urban and rural areas.

### *3.4 Employment and unemployment as defined in the 1984 and 1994 Censuses and in the 1999 Labour Force Survey*

Employment and unemployment are the two components of the economically active population. As it is indicated above, the treatment of the economically active population differ in the three data sources, primarily depending on the measurement approaches followed in the urban and rural areas.

The measurement of employment and unemployment in the 1984 and 1994 censuses followed similar concepts and definitions. In the two censuses, the employed population was generally

defined as consisting of those persons engaged in productive activities during the reference period and persons with regular jobs but who did not work during the reference period because of poor health, social reason, seasonality of work, annual leave or the temporary closure of establishments (because of maintenance or lack of raw materials). The reference period in urban areas was the week prior to the census date, while in rural areas it was the twelve months prior to the census date. In the urban areas persons aged ten years and over who were engaged in an economic activity of at least four hours in any one of the days in the reference week, were considered working. Similarly in the rural areas, if a person aged ten years and over was found engaged in an economic activity for at least six months during the twelve months prior to the census date, then that person was considered as working.

Concerning the unemployed population, the census has defined them as persons not working during the reference period and actively looking for work or ready and willing to take up a job if one was available. In the international standards there are mainly three ways of measuring the unemployed population, that are based on the degree of the relaxation of the seeking or the availability criteria's set for the measurement of unemployment. However, in the 1984 and 1994 censuses it was not possible to incorporate the measurement issues indicated in the international standards. Nevertheless, as can be seen from the definition above, unemployment was taken to follow more or less the relaxed form of the definition of unemployment.

The 1999 survey has defined the employed population as consisting of those who were engaged in productive activity for at least four hours during the seven days prior to the date of interview. Persons who had regular jobs or business or holdings to return to but who were absent from work for various reasons were also included as employed persons. Further elaborations were made for some of the concepts indicated in the measurement of the employed population. For instance, for a person to be considered as absent from work, the person was required to have a formal job attachment. The presence of job attachment was tested by incorporating various probing questions, where, in the case of self employed persons, they were considered to have attachment to the job if their place of work was not closed down during their absence or, if closed, they could be sure that it will be re-opened. Similarly, in the case of employees absent from work during the reference week they were considered to have attachment to their job if fully or partially paid during their absence.

In the measurement of unemployment, the 1999 NLFS has followed the procedures and the alternative techniques of measurements that are indicated in the international standards [ILO, 1990]. Accordingly, the survey has measured the unemployed population using the three options of the measurement of unemployment, that is, the standard, the partially relaxed and the relaxed definition of unemployment. In the statistical report of the survey the results that are obtained from the relaxed definition of unemployment were reported.

As can be seen from the above discussion, the two population censuses have more or less used similar concepts and definitions in the measurement of employment and unemployment. However, there is a difference in the measurement approaches as well as the issues considered in measuring the employed and unemployed population between the censuses and the labour force survey. For instance, in the current status approach that was applied in the urban areas in the case of the censuses, and in both the urban and rural areas in the case of the survey, the minimum number of hours required to be considered as working was four hours. The difference lies in the counting of the four hours in the censuses and the survey. In the censuses these four hours were required to be performed in one of the days of the reference week, while in the survey the four hours were taken by adding the number of hours in the reference week, which is expected to slightly increase the size of the employed population in the survey. Furthermore, the depth of the enquiry in the censuses and the survey was quite different. In the survey more probing and filtering questions were included, which have an impact on the quality of the data.

### *3.5 Focusing on the 1994 Census data: Labour-force items in the short and long questionnaires*

Unlike the 1984 census, the 1994 census has collected information for some variables, such as, gender, age, language, ethnic group, religion and marital status, on a complete enumeration basis, while others, such as disability, education, economic activity, migration, fertility and housing conditions were collected on a sample basis. Accordingly, the 1994 census used two types of questionnaires, that is, short questionnaire, which incorporated the variables selected for the complete enumeration and the long-questionnaire that incorporated the variables in the short questionnaire and those variables selected to be collected on sample basis. The labour force items included in the census were the following:

- Whether engaged in productive work during the reference period;
- Reason for not being engaged in productive work during the reference period (for those who were not so engaged);
- Major types of occupation;
- Major product or service of the establishment or industry;
- Employment status in the main activity; and
- Number of days worked during the seven days prior to the census day for those engaged in productive work (for urban areas only).

The households that were required to respond to the long questionnaire were selected on the basis of systematic sampling and covered one fifth of the total households.

As it is indicated above, the reference periods employed in the urban and rural areas for the collection of economic activity questions were different. Hence, the above listed economic activity variables were treated differently in the urban and rural areas. From the census data, statistics that show the size and characteristics of the economically active and inactive populations and their components were derived.

The 1994 census has also incorporated basic demographic variables that show individual characteristics, useful as explanatory variable in the analysis of the behaviour of the population in economic activities. Among the individual variables filiation, sex, age, language, ethnic group, religion, marital status and education were included. Furthermore, items that reveal household size and composition, housing characteristics and conditions, dwelling facilities and amenities of the households were included.

### *3.6 Three levels in the study: Urban Ethiopia, selected urban centres, and Addis Ababa*

In Ethiopia, the proportion of the population living in urban areas is low. In the 1984 census the urban population was found to be 11.4 percent, while in the 1994 census 13.7 percent. The change of definition of urban area in the two censuses may have an impact on the comparison of the results of the two periods. The definition of an urban centre in the censuses was based on the criteria set to identify an urban area during the census cartographic work. Accordingly, in the 1984 census cartography, an urban centre was generally defined as a locality with 2,000 or more inhabitants. Specifically, all administrative capitals (regional, awraja and wereda) and localities in which urban dweller's associations were established were considered as urban centres, irrespective of their population size [CSA, 1991: 8].

A similar concept was used in setting the criteria in identifying an urban centre in the 1994 census. However, the criteria that states a minimum of 2,000 inhabitants and the need to have urban dweller's associations in the 1984 census was extended in the 1994 census to include all localities with no urban administrative structure but with 1,000 or more inhabitants engaged in

non-agricultural activities to be considered as urban centres. Moreover, due to the changes in the system of the administrative structure of the government, new capital towns emerged; others were upgraded or lost their previous status in the 1994 census. The other difference lies in the coverage. In the 1984 census the capital city of Eritrea, which has been the second largest city in the country, and other towns in that region have been part of Ethiopia, but not in the 1994 census. For example, during the 1984 census the two urban centres with populations of 100,000 and over in the country were Addis Ababa and Asmera towns, with a population size of 1,423,182 and 281,110 persons respectively [CSA, 1991].

In the 1994 census, a total of 927 towns were identified, where four towns have a population of 100,000 persons and over, while 9 towns with sizes between 50,000 and 100,000 and the rest 914 towns below 50,000 inhabitants.

For the study of the work status and unemployment in urban Ethiopia, three categories of urban centres are formed. These three categories are selected urban centres, Addis Ababa and total urban centres. The selected urban centres consist of 30 towns that were selected considering a combination of criteria, that is, size as of the 1994 census and representation, specifically for small regions. Among the 30 towns 27 have 20,000 and more inhabitants, while the remaining 3 towns were selected to represent the small regions that do not have towns with at least 20,000 inhabitants. Addis Ababa is treated separately, considering its dimension and diversity in many aspects compared to the other urban centres.





## Chapter 4

### Working-Age Population, Labour Force, and Employment in Ethiopia: Converging and Contrasting Trends

#### *4.1 The increasing labour force potential*

The 1998 UNFPA Report stresses the fact that «lower birth rates in today's developing countries offer the possibility of a demographic bonus in the next 15-20 years, as a 'bulge' of young people comes into the workforce while fewer children are born» [UN, 1998: 4]. The ongoing fertility reductions are beginning to slow down the growth of the youngest population whilst the number of elderly people is not yet important because of the small dimension of past cohorts and because of the still high adult mortality. The large cohorts born in the '70s and '80s, which are now reaching working-age, may provide a large source of labour. If adequately used, they could help these countries in their economic takeoff.

Ethiopia, as a whole, cannot yet be considered in that group of countries. Ethiopian fertility is still very high (TFR about 7 children per woman). Mortality under 5 years of age is over 170 per thousand and the probability to survive from age 5 to age 15 can be estimated at about 0.97 and from age 15 to age 65 at 0.51<sup>3</sup>. The population aged 0-14 years is only little less than half of the overall population, while the 'youth labour force' (15-29 years) is about one fifth of the entire population<sup>4</sup>. However, in urban areas migrations, reproductive behaviour, and mortality have been changing the population structure so that, for example, in Addis Ababa the population aged 0-14 is about 30 per cent and the population aged 15-29 is 40 per cent.

To define age limits of working-age span is not easy in such a diverse economic context as developing countries have. Even if we put the lower limit at age 10 years, children's activity in rural economies is neglected, whilst an upper age limit to work may not exist at all. In towns, the situation is different, there being a mix of activities similarly performed as in the rural economy and jobs – especially in civil service and high-level tertiary – in which entry and exit ages are well defined. People who do these jobs are usually out of the labour market before and after those ages. Nevertheless, for the purpose of comparison and following international standards we prefer to define working-age population as delimited by 15 and 65 years of age.

The population aged 15-64 years was enumerated at about 27.3 million by the 1994 Census. Its quota of the total population was higher in urban areas and, especially, in the capital city, where about two third of the population was in working-age (Table 4.1). The comparison with the 1984 Census and 1999 Labour Force Survey shows that the weight of the population aged 15-64 increased everywhere in the first period, whilst it decreased outside of Addis Ababa in the second. The usual over-presence of young labourers in the flows directed to urban centres can explain the rural/urban differences, as well as the 1984-1994 changes. The situation and trends in Addis Ababa are probably affected also by the low fertility and low proportion of children in respect to the working-age population.

From a purely demographic point of view, the ratio between the population that is younger or older than the working-age limits (14 or younger and 65 or older) and the potential labour force (aged 15-64 years) is a powerful, synthetic indicator of the population structure. In Table 4.2 young, elderly, and overall demographic dependency ratios are reported.

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<sup>3</sup> Estimates are from CSA 1999. Probabilities to survive are calculated from the UN model life tables for developing countries [UN, 1982] chosen on the life expectancy basis as estimated by CSA 1999. The effects of the AIDS, which are particularly important in young labour ages, are not specifically considered.

<sup>4</sup> In the fast developing countries of Eastern Asia, for instance, the proportion of the population under 15 is less than 20 per cent, while the 'youth labour force' is proportionally about the same as in Ethiopia.

**Table 4.1 - Working-age population (15-64 yr) by sex and residence: 1984, 1994, and 1999**  
(percentages out of the total population)

	1984 Census <sup>(a)</sup>	1994 Census	1999 LFS <sup>(b)</sup>
<i>Men</i>			
Addis Ababa <sup>(c)</sup>	53.1	65.5	67.1
Other urban	46.0	54.9	53.0
Country	45.3	50.0	47.8
<i>Women</i>			
Addis Ababa <sup>(c)</sup>	55.2	66.0	69.4
Other urban	51.5	57.3	57.7
Country	49.1	52.7	51.3
<i>Total</i>			
Addis Ababa <sup>(c)</sup>	54.2	65.7	68.3
Other urban	48.9	56.2	55.5
Country	47.2	51.4	49.6

(a) Eritrea and other estimated population areas included.

(b) 1999 estimated population living in conventional households.

(c) In 1984 rural and urban areas; in 1994 and 1999 only urban areas.

Source: own elaboration on CSA data.

**Table 4.2 - Demographic dependency ratio by component and residence: 1984, 1994, and 1999**

	1984 Census <sup>(a)</sup>	1994 Census	1999 LFS <sup>(b)</sup>
<i>Young dependency ratio<sup>(c)</sup></i>			
Addis Ababa <sup>(f)</sup>	0.79	0.48	0.42
Other urban	0.95	0.73	0.74
Country	1.02	0.88	0.95
<i>Elderly dependency ratio<sup>(d)</sup></i>			
Addis Ababa <sup>(f)</sup>	0.06	0.04	0.04
Other urban	0.09	0.06	0.06
Country	0.10	0.06	0.07
<i>Overall dependency ratio<sup>(e)</sup></i>			
Addis Ababa <sup>(f)</sup>	0.84	0.52	0.46
Other urban	1.04	0.78	0.80
Country	1.12	0.95	1.02

(a) Eritrea and other estimated population areas included.

(b) 1999 estimated population living in conventional households.

(c) Pop.0-14yr / Pop.15-64yr.

(d) Pop.65+yr / Pop.15-64yr.

(e) (Pop0-14yr + Pop.65+yr) / Pop.15-64yr.

(f) In 1984 rural and urban areas; in 1994 and 1999 only urban areas.

Source: own elaboration on CSA data.

In the country, there was about one person in non-working-age for one person of working-age, with only a small reduction from the 1984 Census to the 1999 LFS. Declines have been much larger in urban Ethiopia and especially in Addis Ababa, where now we have one person of non-working-age for every two of working-age. These declines can be ascribed mainly to the relative reduction of the 0-14 population compared to the growth of working-age population.

As mentioned above, the structural changes which occurred in the population of urban Ethiopia since the late '80s could rise the same optimistic hopes the UNFPA expresses on the 'workforce bulge' ongoing in many developing countries [UN, 1998: 4]. The challenge is, both for policy makers and economic actors, to succeed in using the potential that the large young cohorts now entering the labour markets offer, in a timely and productive way.

**Table 4.3 - Age structure of working-age population by sex and residence: 1984, 1994, and 1999**

	<i>Internal structure: 15-39yr / 40-64yr</i>			<i>Cohorts' turnover: 10-14yr / 60-64yr</i>		
	<i>1984 Census<sup>(a)</sup></i>	<i>1994 Census</i>	<i>1999 LFS<sup>(b)</sup></i>	<i>1984 Census<sup>(a)</sup></i>	<i>1994 Census</i>	<i>1999 LFS<sup>(b)</sup></i>
<i>Men</i>						
Addis Ababa <sup>(c)</sup>	2.7	3.2	2.9	11.3	8.7	5.9
Other urban	2.1	3.1	3.2	7.4	8.5	9.8
Country	1.9	2.5	2.5	5.1	7.1	7.4
<i>Women</i>						
Addis Ababa <sup>(c)</sup>	3.7	4.5	4.0	9.7	9.2	8.6
Other urban	2.4	3.4	3.3	5.6	7.0	7.7
Country	2.2	2.8	2.7	4.4	7.1	7.0
<i>Total</i>						
Addis Ababa <sup>(c)</sup>	3.2	3.8	3.4	10.4	8.9	7.1
Other urban	2.2	3.2	3.3	6.4	7.7	8.6
Country	2.0	2.6	2.6	4.7	7.1	7.2

(a) Eritrea and other estimated population areas included.

(b) 1999 estimated population only living in conventional households.

(c) In 1984 rural and urban areas; in 1994 and 1999 only urban areas.

Source: own elaboration on CSA data.

The large presence of young people in towns and, especially, in the capital city is highlighted by the first section of Table 4.3, where the youngest part (aged 15-39 years) of working-age population is related to the oldest part (40-64 years).

At the 1994 Census the ratio is everywhere above 2.5 youngest people of working-age for each senior potential worker, and this is also true on average in the country as a whole. The very young structure of the Ethiopian population is confirmed as well as the huge productive potential it could offer.

Following the 1984-1994-1999 changes, ratios increased in the first period, but in the second they either levelled off or even decreased in Addis Ababa and the other urban areas. Here, part of the increase from 1984 to 1994 could be ascribed to the demobilisation that occurred in the early '90, moving number of former soldiers into towns, especially to the capital city.

The cohort turnover in the working-age population – which compares the ‘input’ of the population aged 10-14 to the ‘output’ of the population 60-64 years old – is an excellent measure of its short-term trends when exits caused by death or emigration before age 65 are limited. This is not the case in Eastern Africa, where 15 year-olds are now expected to live up to less than 60 years of age, on average, and where important changes in adult mortality are still occurring<sup>5</sup>. The turnover, here limited to the ratio between the entering cohort (aged 10-14 years) and the leaving one (aged 60-64 years), confirms the huge cohort disparity. In Ethiopia, both in 1994 and 1999 the ratio was everywhere between 7 and 9 (Table 4.3, second section), while in 1984 it was much higher in Addis Ababa (over 10) and lower in other urban areas (about 6), as well as in the country as a whole (less than five entering persons per one leaving the working-age population).

Trends were contrasting in the capital city (fast and continuous decline), in the rest of urban Ethiopia (slow continuous increase) and in the country on average (1984-1994 slow increase, 1994-1999 stagnation). In Addis Ababa, an ageing process has begun, where the cohorts entering working-age are growing at a slower pace than the leaving ones. This result may have been caused either by the reduced urban fertility in recent times or – more probably – by the cohorts who migrated into the city in the past and survived beyond the age 60 years. Outside the capital city, the fresh immigration into other urban areas can justify the increasing turnover ratio there, while the still very high fertility in the country as a whole has fuelled the new entering cohorts compared to the survivors born 60-64 years previously<sup>6</sup>.

Such a young working-age population can be formed either by children still living in their parents' home or by heads of new families and by spouses. The two different statuses have important consequences in the work and non-work attitudes and behaviour. If adequately supported by their parent's incomes, the reduced household responsibilities of sons and daughters could allow them to continue studying beyond the age of 15 and attain a higher educational and professional level<sup>7</sup>. Moreover, possible long periods of unemployment because of difficulties in finding first job can be better faced when still living in parents' home. On the contrary, early family responsibilities force people to enter the labour market at young ages and to be exposed to suffer its changes<sup>8</sup>.

The headship ratio of working-age population<sup>9</sup> is high and growing in Ethiopia (Table 4.4). About 6 men and a little under 2 women in 10 are heads of household. Women's engagement in

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<sup>5</sup> Unfortunately, these changes are seldom positive because of the HIV/AIDS diffusion and the recurring periods of droughts.

<sup>6</sup> Past cohorts certainly have suffered also a much more intense elimination by death before and after age 15.

<sup>7</sup> For comparison, see Krishnan, 1996. On the ‘returns’ of primary and higher education in a Sub-Saharan country, see Nielsen, Westegård-Nielsen, 1998. We discuss this point further on, in chapter 5.

<sup>8</sup> Early family formation may mean also perpetuating high reproductive behaviours.

<sup>9</sup> The sex-and-age-specific ratios between heads of households and relevant population are standardised with reference to the sex and age structure of the whole country as it resulted at the 1994 Census.

family head-ship is much higher in urban areas, probably because of the higher proportion of one-person households or for a larger presence of one-parent households headed by widows, separated/divorced women, or by never-married mothers<sup>10</sup>. The inflow into towns of this kind of households cannot be ignored when looking at urban migration. Only in Addis Ababa we can observe a lower male head-ship ratio (about 4 in 10). This fact suggest staying at parents' home for longer and, maybe, longer period of studies for sons living in the capital city.

**Table 4.4 - Standardised<sup>(a)</sup> headship rate of working-age population<sup>(b)</sup> (15-64yr): 1984, 1994, and 1999**  
(percentages)

	1984 Census <sup>(c)</sup>	1994 Census	1999 LFS <sup>(d)</sup>
<i>Men</i>			
Addis Ababa <sup>(e)</sup>	42.2	38.0	42.4
Other urban	51.8	50.1	58.3
Country	54.0	57.9	60.5
<i>Women</i>			
Addis Ababa <sup>(e)</sup>	20.6	16.7	20.3
Other urban	25.0	23.9	29.0
Country	13.9	15.3	16.8
<i>Total</i>			
Addis Ababa <sup>(e)</sup>	31.6	27.0	30.9
Other urban	36.8	36.2	42.5
Country	33.2	36.2	37.6

(a) 1994 Country population = Standard population

(b) Residents in collective quarters and homeless not included

(c) Census covered population.

(d) 1999 estimated population only living in conventional households.

(e) In 1984 rural and urban areas; in 1994 and 1999 only urban areas.

Source: own elaboration on CSA data.

The current use of the demographic labour-force potential for development purposes greatly depends on the characteristics it can offer to the market, first of all in terms of education. Literacy is the first necessary step toward having a flexible workforce ready for the change from traditional primary labour market to a modern one, where industrial and service activities prevail.

The literacy level is still low in Ethiopia when considered as a whole. About 7 in 10 of the working-age population are illiterate in the country: men at 6 and women over 8 in 10 (Table 4.5<sup>11</sup>). However, the situation is very different in towns and especially in the capital city. The literacy rate is higher than 90 per cent for men living in Addis Ababa and 77 per cent for women. In other urban areas the average is close to 80 per cent for men and a little over 50 for women<sup>12</sup>.

Trend between 1984 and 1994 is positive only in Addis Ababa, while elsewhere literacy levels are higher in 1984 than in 1994. The number of illiterate people may have been underestimated in 1984, maybe for political reasons. However, the effects of the national adult literacy campaign, ongoing in the '80s but abandoned in the '90s, can also justify the 1984-1994 drop. Data from 1999 LFS confirm the findings of 1994 Census, with slight increases or decreases probably due more to inferential problems than to actual changes in a period of only five years.

<sup>10</sup> In 1994, in Addis Ababa women heads of household were never married for 11.8 per cent, currently married 22.1 per cent, divorced 28.0 per cent, and widows 38.0 per cent.

<sup>11</sup> Also here, a standardisation through the country demographic structure at 1994 Census was applied.

<sup>12</sup> Further analysis on connections between educational level and work will be developed in chapter 5.

**Table 4.5 - Standardised<sup>(a)</sup> literacy rate of working-age population (15-64yr): 1984, 1994, and 1999**  
(percentages)

	1984 Census <sup>(b)</sup>	1994 Census	1999 LFS <sup>(c)</sup>
<i>Men</i>			
Addis Ababa <sup>(d)</sup>	89.4	91.0	92.9
Other urban	78.8	74.5	80.5
Country	37.3	33.8	43.8
<i>Women</i>			
Addis Ababa <sup>(d)</sup>	76.8	77.6	77.5
Other urban	57.7	52.9	51.3
Country	19.6	17.4	18.1
<i>Total</i>			
Addis Ababa <sup>(d)</sup>	81.4	84.0	83.2
Other urban	67.0	63.0	64.4
Country	28.1	25.4	30.3

(a) 1994 Country population = Standard population; Non stated literacy not included.

(b) Census covered population.

(c) 1999 estimated population only living in conventional households.

(d) In 1984 rural and urban areas; in 1994 and 1999 only urban areas.

Source: own elaboration on CSA data.

#### 4.2 Work supply and work demand: From apparent equilibrium to dynamic disequilibrium

The workforce in Ethiopia was enumerated at 26.5 million by the 1994 Census. Direct comparisons with absolute values from the previous Census or from the 1999 LFS are not possible because of either different territorial coverage or definitions. Nevertheless, gross activity rates, which are better comparable, are reported in Table 4.6.

**Table 4.6 - Gross labour-force participation rate<sup>(a)</sup> by sex and residence: 1984, 1994, and 1999**  
(percentages)

	1984 Census <sup>(b)</sup>	1994 Census	1999 LFS <sup>(c)</sup>
<i>Men</i>			
Addis Ababa <sup>(d)</sup>	60.7	64.7	71.1
Other urban	57.1	60.2	69.9
Country	79.3	81.9	83.8
<i>Women</i>			
Addis Ababa <sup>(d)</sup>	31.9	41.5	59.9
Other urban	31.0	37.7	62.1
Country	55.5	62.8	66.9
<i>Total</i>			
Addis Ababa <sup>(d)</sup>	45.5	52.6	65.0
Other urban	42.6	48.4	65.6
Country	67.2	72.4	75.1

(a) Active population / Population aged 10yr and over

(b) Census covered population.

(c) 1999 estimated population only living in conventional households.

(d) In 1984 rural and urban areas; in 1994 and 1999 only urban areas.

Source: own elaboration on CSA data.

Women living in towns participate in the formal economic activities much less than women living in rural areas. As we suggested above, this is a typical early phase of the transition from a rural economy and a traditional way of living to urban and modern patterns. The implementation

of a real labour market puts many of those economic activities carried out by women at home or in the fields out of the functions perceived or statistically considered as labour activities. On the other side, the home-maker condition could be desired by the middle-class households which can afford to live with only the labour income of the male breadwinner. Moreover, women coming from countryside to urban areas can hardly offer themselves on the labour market because of their poor education and lack of any specialisation.

However, a large progression in female labour-force participation is evident in towns from 1984 to 1999: earlier in Addis Ababa, later and stronger in other urban areas. A larger awareness of the female role towards work spread also in the country in the '90s with two third of the women aged 10 years and over in the labour force. Also for men labour-force participation rates are lower in towns than in the countryside. Attitudes and behaviour in work/non-work choices can reduce youth activity rates in urban areas because of more time spent in education or the fewer number of children to be maintained by families.

When we compare gross labour-force participation rates between surveys a considerable input in labour supply is to be appraised from 1984 to 1994 also for men, both in urban and rural areas. Should this be connected to the probable underestimation of unemployment in 1984 when people 'without work' might be counted as 'out of work'? Also the 'ageing' of the population aged 10 years and over that occurred in urban areas could partially explain those changes.

As well as for the workforce absolute numbers of the employed population are not comparable from one survey to another. We better refer to the gross employment rate (percent ratio between employed population and population aged 10 years and over). Table 4.7 highlights the large problems of employment that Addis Ababa and, in general, urban areas suffered in 1994: only about one third of the population aged 10 years and over was employed, with less than 4.5 men and 2.5 women in 10. This could be attributed partially to the young age-structure of the population (but not younger than in rural Ethiopia) or to a lower presence of young people in the labour market. Gender differences were smaller in gross employment rates than in labour-force participation rates, thus confirming a stronger link for women in urban areas between employment opportunities and their presence in the labour market.

**Table 4.7 - Gross employment rate<sup>(a)</sup> by sex and residence: 1984, 1994, and 1999**  
(percentages)

	1984 Census <sup>(b)</sup>	1994 Census	1999 LFS <sup>(c)</sup>
<i>Men</i>			
Addis Ababa <sup>(d)</sup>	55.7	44.8	51.2
Other urban	53.6	50.9	60.4
Country	78.5	79.6	80.2
<i>Women</i>			
Addis Ababa <sup>(d)</sup>	27.4	24.3	31.0
Other urban	28.7	31.7	45.0
Country	54.7	60.8	58.5
<i>Total</i>			
Addis Ababa <sup>(d)</sup>	40.8	34.1	40.2
Other urban	39.8	40.8	51.9
Country	66.5	70.3	69.1

(a) Employed population / Population 10yr and over

(b) Census covered population.

(c) 1999 estimated population only living in conventional households.

(d) In 1984 rural and urban areas; in 1994 and 1999 only urban areas.

Source: own elaboration on CSA data.

The 1984-1994 loss or small increase (only for women in urban areas different from the capital city) in employment rates clashes with the large increase in labour-force participation we underlined above. This is particularly true for men in Addis Ababa, whose employment rate declined by 11 percent points while their activity rate increased by 4 points, so increasing unemployment. Between 1994 and 1999, in urban areas male employment rates have increased more than participation rates have done. The opposite has happened to women.

The ratio between idle and working population is an economic measure of the demo-economic burden each worker has to carry, on average, both at family and societal level. In very young and very old populations this burden can exceed parity. On the contrary, explicit female participation to labour activity in central ages can alleviate it. Gross or net economic dependency ratios can be computed considering people seeking work respectively in the working population or not.

In Table 4.8, large differences emerge between the country average, Addis Ababa, and the rest of urban Ethiopia. The wide distribution of work on the population of all ages living in the countryside makes the ratios near parity though the large proportion of children there. In towns and in the capital city, people in non-working ages are actually less, but labour-force participation is lower for both 'peripheral' working ages and women; moreover, unemployment rates cause the net ratios to increase, especially in 1994.

**Table 4.8 - Economic dependency ratios and peripheral/core employment ratio by residence: 1984, 1994, and 1999**

	1984 Census <sup>(a)</sup>	1994 Census	1999 LFS <sup>(b)</sup>
<i>Gross dependency ratio<sup>(c)</sup></i>			
Addis Ababa <sup>(f)</sup>	2.03	1.33	0.84
Other urban	2.45	1.79	1.08
Country	1.34	1.00	1.01
<i>Net dependency ratio<sup>(d)</sup></i>			
Addis Ababa <sup>(f)</sup>	2.38	2.59	1.97
Other urban	2.69	2.31	1.63
Country	1.37	1.06	1.19
<i>Peripheral/Core employment ratio<sup>(e)</sup></i>			
Addis Ababa <sup>(f)</sup>	0.70	0.62	0.69
Other urban	0.85	0.76	0.89
Country	1.16	1.36	1.26

(a) Census covered population.

(b) 1999 estimated population only living in conventional households.

(c) Total inactive population / Total active population.

(d) Total non-employed population / Total employed population.

(e) (Empl.10-24yr + Empl.50yr+) / Empl.25-49yr.

(f) In 1984 rural and urban areas; in 1994 and 1999 only urban areas.

Source: own elaboration on CSA data.

The 1.5-2.0 inactive persons who depend on each urban worker are a heavy responsibility for the latter because he/she may be the only breadwinner in the household. As the peripheral/core employment rate shows, employment is highly concentrated on the 'core' work-age population, 25-49 years old, when also family commitments are the heaviest. The loss of work and insecure or underpaid jobs can cause larger problems in urban areas than in rural ones, where labour activity is widely shared by core and marginal workforce and many components of large households work. In rural areas the 'poverty' problem exists because the whole household depends on only one source of employment and income: the land the household owns and/or works. Alternative sources are rare. So, any reduction in the quantity of work demanded (e.g., because of flood or drought) leads to serious losses in the household's economic well-being.



The trends from 1984 to 1999 are not easy to interpret especially because of the 1994 high levels of unemployment which overestimate net dependency ratios in urban areas. At country level, the slight progression of the economic dependency does not stem from the population-structure component, since the youngest and the oldest age groups are declining proportionally.

In Addis Ababa, the reduced burden of both non-working-age groups (see Table 4.3) reduces the gross economic dependency. On the contrary, the employment difficulties in early '90s made the net dependency ratio increase in 1994, and then decrease in 1999. As always it happens when work is lacking, employment shrinks to the 'core' labour force, so lowering the peripheral/core employment ratio.

Trends in the rest of urban Ethiopia are probably affected by the change in territorial definition of this aggregate. However, the 1984 economic condition was more similar to rural areas, with wide diffusion of economic activity on almost the whole population. As the indicators of Table 4.8 show, in the '90s the diffusion of education in young ages and the rise of labour markets were able to change the situation towards more 'urbanised' standards.

Therefore, the evolution of work and employment between 1984 and 1999, especially in urban areas and the capital city must be connected to the important changes which occurred in the political and economic regimes during this period in Ethiopia. The troubled process which has driven the country from a state-controlled economy to a market economy brought to light the inconsistencies between labour demand and supply and highlighted the following unemployment: the latter has been particularly high during the transition period, when the 1994 Census was taken. Apparently, the labour market moved from equilibrium to disequilibrium; actually, at least from the statistical point of view, it moved from a static and formal image to a dynamic, contrasted, and more realistic one.

#### *4.3 Unemployment between underestimates, transition, and market mismatches*

Full employment – i.e. labour markets where unemployment is on the frictional level of 3-5 per cent of the workforce – is the ideal target of any economic programme. The success of the economic policy carried out by a government is measured often through the unemployment level it produces. This is particularly true in regimes inspired by socialism, since assuring equal work opportunities to all people should be among their principal aims. Therefore, it is possible that unemployment is underestimated in those regimes because of propaganda. However, those same governments often carry out labour policies and employment programmes which can really reduce unemployment though limiting labour productivity.

The very low levels of unemployment resulting from the 1984 Census should not surprise us. The prevailing rural economy, performed in traditional ways where unemployment is almost unknown certainly contributed in keeping the unemployment rate negligible in the country (Table 4.9). But in 1984 unemployment was found low (less or around 10 per cent) also in urban areas and in the capital city: this fact is not common in fast urbanising societies because of the tumultuous processes through which towns usually grow.

In 1994 unemployment went over 30 per cent for men and 40 per cent for women in Addis Ababa, and it was about 15 per cent for both in other urban areas. The very high levels in the capital city should be justified partially by the transition period it has undergone in early '90s characterised by the demobilisation of the soldiers involved in the civil war as well as by important inflows of people from far-distant rural areas [Colleta et al., 1996]. But the political and economic transition affected the labour markets all over the country, bringing to light hidden statuses of unemployment but also pushing additional people, especially women, to present themselves on the market.

Both in 1984 and 1994 the overwhelming majority of unemployed people were actually first-job seekers. The proportion increased in 1994, reaching more than 90 per cent for women in Addis Ababa. This fact can be justified by the young structure of labour supply together with a productive structure in which we can hardly find formal labour contracts, so that resignations or dismissals are rarely the start of unemployment: more probably, the latter is an 'endemic' status, partially hidden by underemployment.

The results from the 1999 LFS show the widening of the unemployment problem to the whole country. However, the problem is twofold: for men in urban areas a limited recovery is registered, though rates remain high, especially in Addis Ababa; for women, unemployment rates jumped everywhere, approaching 50 per cent in the capital city, almost doubling in the rest of urban areas, and being multiplied by four in the country as a whole. The situation in Addis is worthwhile of a deeper analysis.

**Table 4.9 - Unemployment rate by sex and residence: 1984, 1994, and 1999**

	<i>Unemployment rate (%)</i>			<i>Without work experience (%)</i>	
	<i>1984 Census<sup>(a)</sup></i>	<i>1994 Census</i>	<i>1999 LFS<sup>(b)</sup></i>	<i>1984 Census<sup>(a)</sup></i>	<i>1994 Census</i>
<i>Men</i>					
Addis Ababa <sup>(c)</sup>	8.2	30.7	28.0	76.9	76.7
Other urban	6.1	15.5	13.6	66.7	74.8
Country	1.0	2.8	4.3	70.5	75.5
<i>Women</i>					
Addis Ababa <sup>(c)</sup>	14.3	41.5	48.1	84.6	90.9
Other urban	7.3	15.9	27.6	73.8	83.4
Country	1.4	3.1	12.5	75.9	85.6
<i>Total</i>					
Addis Ababa <sup>(c)</sup>	10.5	35.1	38.1	80.8	83.6
Other urban	6.6	15.7	20.9	69.9	78.4
Country	1.2	2.9	8.0	73.2	80.2

(a) Census covered population.

(b) 1999 estimated population only living in conventional households.

(c) In 1984 rural and urban areas; in 1994 and 1999 only urban areas.

Source: own elaboration on CSA data.

#### *4.4 Labour market trends in Addis Ababa*

Around 1984 the population of Addis Ababa was probably growing at a fast pace and numbers of newly urbanised people were seeking work or were underemployed. In fact, the 1984 Census counted less than 50,000 unemployed people, of which 81 per cent never had a job before. On the other side, 82,000 (19 per cent of the workforce) were employed in the public administration and defence. In the 1994 Census, people engaged in government services dropped to 71,000 or 11 per cent of the economically active population. At the same time, the number of people seeking work in the capital city was multiplied by more than 6 and reached 35 per cent of the workforce. Then, in the 1999 LFS, unemployment was estimated at 38 per cent, almost steady in numbers for men, but barely doubling for women.

The about 156,000 new jobs 'created' in Addis Ababa from 1984 to 1994 could not face the increment of 658,000 in the population aged 10 years and over, nor the additional labour supply (+191,000), so that an increase of more than 263,000 unemployed people occurred. In the following five-years period (1994-1999) 152,000 new jobs seem to have been added to face an estimated increase of only 120,000 in the population over 10. Because of the 'ageing' of the

working-age population and the increase of labour-force participation rates (especially for middle-aged women) an additional labour supply of 287,000 has been generated, so the number of unemployed people increased of 136,000, almost entirely women.

Components of the change in unemployment which occurred in Addis Ababa between 1984 and 1994 and between 1994 and 1999 can be estimated by a simple method which evaluates the change in the number of unemployed people when only one component – population, labour-force participation rates, or employment rates – is allowed to change in a two-dates data set by sex and five-years age groups: a residual component is also generated<sup>13</sup>. This method works as far as data from the different sources are really comparable in absolute numbers: we must be aware that this may not be fully true in our case though we took care of using the same definitions. In particular, following the rules adopted both in the 1984 and 1994 Censuses in urban areas, the ‘current’ working status was processed also in the data from the 1999 LFS.

The main component of the 1984-1994 rise of unemployment in Addis Ababa was the decrease in employment rates, which added an average of 5,600 a year for men and 4,400 for women to unemployed people (Figure 4.1). Also the increase in the population aged 10 years and over played its part, adding 2,200 a year to the unemployed people of each sex. Instead, the labour supply component was negligible. A more thorough view made looking throughout the age groups highlights the difficulties encountered by the young generations, especially at age 20-24 and 25-29, where the growth in numbers and higher participation rates increased the labour supply which could not meet with the low growth of jobs, so that their employment rate sank and unemployment rates went as high as 50 per cent for men and 60 per cent for women. On the contrary, the decline in labour participation rates slightly alleviated unemployment in the population aged 10-14 and in the senior workforce, with women exerting an increasing pressure on the market also in middle ages, anyway.

Between 1994 and 1999 trends are apparently very different for men and women<sup>14</sup>. For the former, the increase in employment (60,000 additional jobs) succeeded in containing the increase in male labour force due both to the limited rise of the population aged 10 years and over and the higher participation of the ‘marginal’ labour-forces, very young and elderly people. On the contrary, employment mainly benefited the ‘core’ labour force, where unemployment reduced. Women suffered a 26,400 a year increase in unemployment, both because of the demographic component (+4,200) and a larger female participation to the labour market (+9,400, especially in central ages). In fact, the increase in job opportunities (92,000, 50 per cent larger than the one men have enjoyed) could not compensate the rush of women into the labour market, so that their employment rates decreased and the number of unemployed women almost doubled between the 1994 Census and the 1999 LFS.

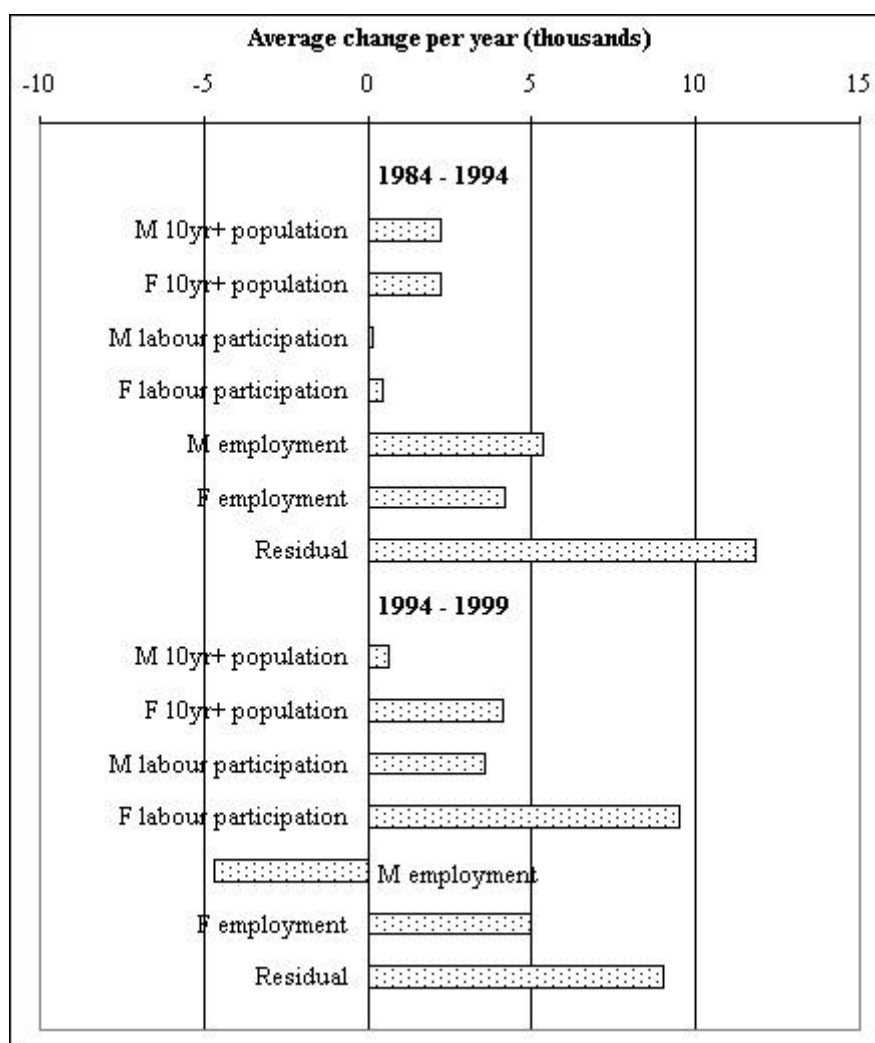
As far as criteria and classification are comparable between the Census and the Survey we can also calculate the flows regarding the non-active conditions, which might cast light on the process undergoing in the capital city. Apparently, the number of male students decreased of little less than 40,000, and the decrease especially interested the ‘twenties’ year age-groups where employment rose, as well as it did in middle ages. Instead, the increment of male population in later ages was shared between the rise of both employed and unemployed people. The number of female students did not reduce much, but their ‘enrolment ratios’ reduced, especially in the 25-29 age group, because of the increase of the number of young women. The largest change for women, however, was registered in the home-maker group, which reduced four times, especially between age 20 and 49.

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<sup>13</sup> The residual component can be particular large when all the other components have the same sign, as it happens especially in the 1984-1994 period.

<sup>14</sup> For comparison on the same time-period, see Krishnan et al., 1998.

**Figure 4.1 - Components of total change in unemployed population:  
Addis Ababa, 1984-1994 and 1994-1999**



Such important changes in the number and quota of male students and female house-makers seem to be partially counterintuitive and make us doubt on the real comparability of the two different sources, though in both the ‘current status’ criterion was used. The need of earning by job might really have cast people and especially women from non-active to active conditions, but they mostly became first-job-seekers, actually not changing their previous ‘usual’ non-working condition.

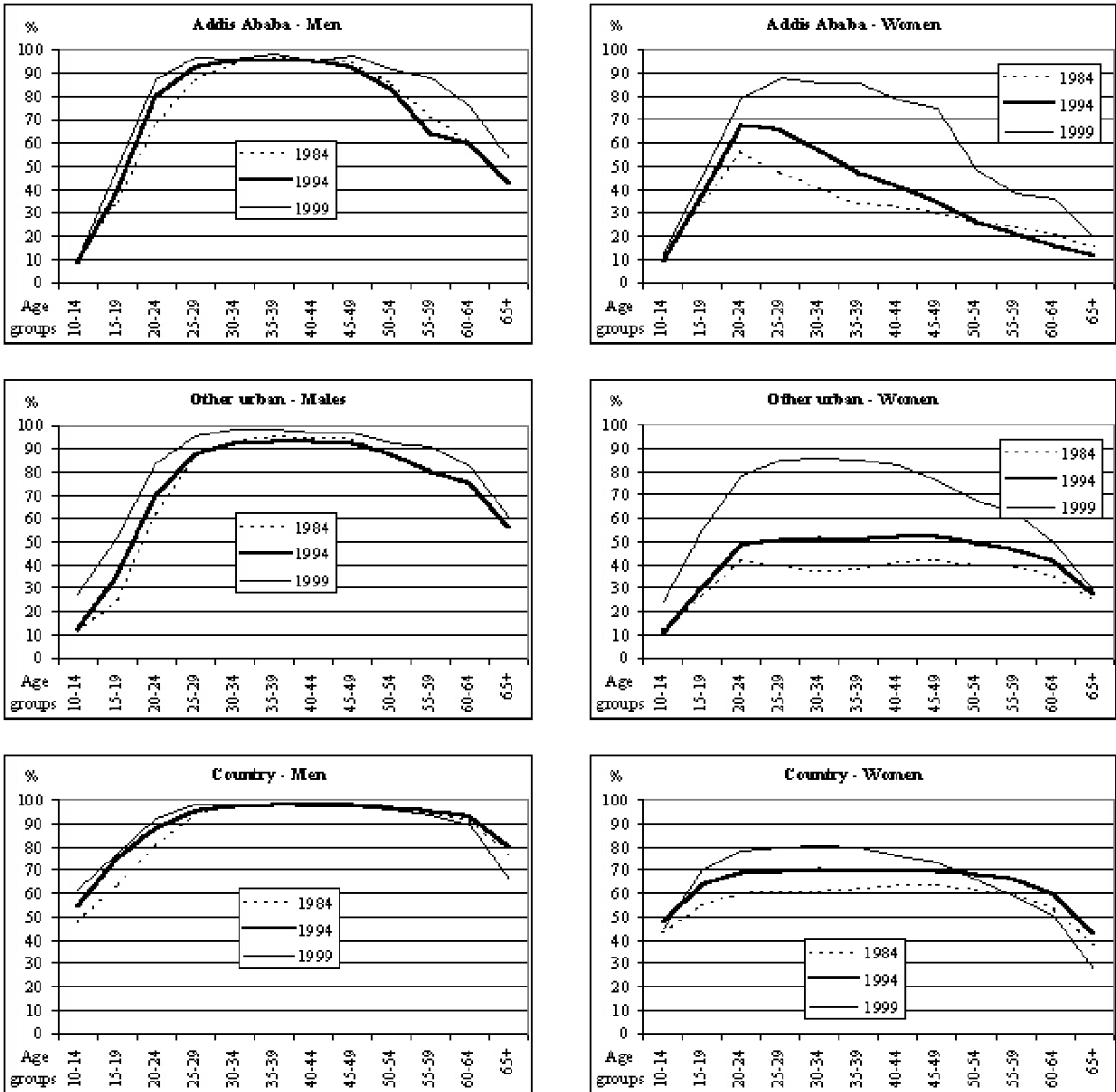
Anyway, the soldiers mobilisation due to the conflict between Ethiopia and Eritrea could partially explain the 1994-1999 trends in Addis Ababa. It lowered the pressure of young men on the labour market as well as their school attendance. But this fact may have induced substitution effects pushing women into the market because of the needy condition of their families.

#### *4.5 Work and non-work in a life-course perspective*

The shape of labour force participation through the life course describes how work fits with the other life activities. This is particularly true for women throughout all their adult life and, for men, at the two edges of their working-age span. In general, this description works correctly only where real choices and alternatives exist between work and non-work, that is – in LDCs – only in their urban areas.

In fact, the shape of economic activity rates by age is very regular and quite steady from 1984 to 1999 in Ethiopia as a whole (Figure 4.2). For men, an increase from 1984 levels in younger ages and a decrease in 1999 in older ages are appraisable. For women, rates underwent a general shift upward in 1994. This increase went on in 1999, but only in young-central ages, while older ages suffered an important decline in labour participation. Probably, changes in definitions and in survey methods affect these comparisons more than real behavioural changes do. Anyway, a higher consideration of the contribution of female work may be expressed by the younger cohorts, so recognising the changing role of women on the labour market. More problems arise in interpreting the 1994-1999 decline in older ages, which apparently occurs for both men and women, but only in the rural environment: a statistical change in considering the elderly contribution to rural activities may be the principal cause for that.

Figure 4.2 - Age-specific labour-force participation rate by sex and residence: 1984, 1994, and 1999



The shape of labour-force participation by age in urban economies, especially in Addis Ababa, is profoundly diverse. Here, we can clearly single out an entering age-span and an exit one. For women, labour-force participation rates vary considerably through their life, and they have undergone important changes, in levels and patterns, from 1984 to 1999. In the capital city, women apparently work more in younger ages than in older ones, so giving a early-exit shape to their labour-force participation curve. This fact attenuates with more recent data, specially from the 1999 LFS, so letting us suspect that it is partially due to the comparison of cohorts fairly different in behaviour and attitude regarding work. In the rest of urban Ethiopia we have a general, two-step increase in female participation rates, but they maintain an almost rural pattern. For men living in urban areas, an increase both in younger and older ages can be appreciated. In Addis Ababa, employment in the public administration and defence, in international bodies or companies can generate real retirements, so making people become pensioners in old ages.

Following our comments on the changes which have occurred regarding unemployment from 1984 to 1999, the pattern and changes in relevant age-specific rates seem not worth of a deep analysis also considered the disputable rise of unemployment in the 1999 LFS (Figure 4.3). Unemployment in urban Ethiopia and especially in its capital city is mainly a matter of young people, who encounter difficulties (harder and more permanent for women) in entering the labour market. But in Addis Ababa unemployment rates rise also in older ages, notwithstanding the early exit from the labour market we described above.

Unemployment rates in older ages remain high in Addis Ababa also in 1999, while they decline for young and middle-aged men: may this be interpreted as a cohort effect in a fast changing economic and production environment so that young people are favoured in finding jobs against older workers, or is this a consequence of the restructuring process which reduced the civil service? Finally, the high and increasing unemployment rates in women's middle ages are due mostly to their increasing pressure onto the labour market: is this either a mismatch between attitudinal changes towards female work and the inadequacy of relevant jobs or does it reveal the increasing necessity for households to rely also on women's labour income?

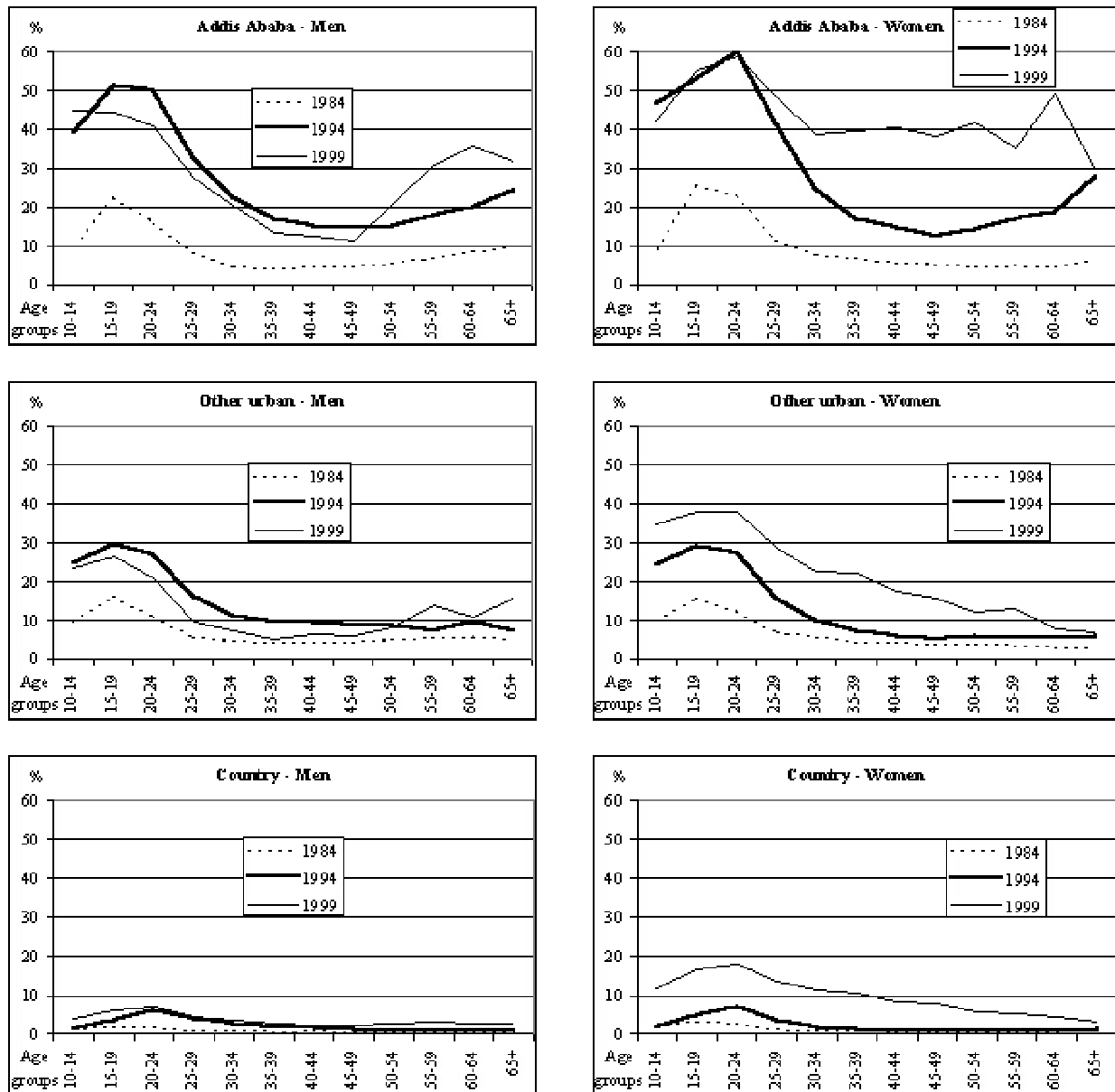
Five-years rates, which measure the percentage of people in each working or non-working status in a given age group, can also be interpreted as the annual quota each person spends in the relevant status during that age span. The sum of those quotas over the entire working-age span gives the notional number of total years a person would spend in each working and non-working status provided that he/she behaves as his/her contemporaries do, and that death and migration do not affect him/her.

Since the latter hypothesis does not hold in Eastern African countries where the average length of life between ages 15 and 65 can be estimated about 40 years instead of the age span of 50 years, at a first stage we prefer to limit ourselves to the percent distribution of the latter one by its major active/non-active conditions, in order to compare the changes between the 1994 Census and the 1999 LFS (Figure 4.4).

The quota spent in employment by urbanised men increased both because the reductions in education and the 'time' spent out of work as retired or elderly. In Addis Ababa, 2/3 of the working-age span are spent working, 4/5 in the rest of urban Ethiopia, with a 1994-1999 increase of 10 and 15 per cent, respectively. This trends and levels could be either the sign of larger job opportunities in respect to the chaotic situation in early '90s or the increasing necessity of earnings, either because of households' poverty or the appeal coming from a wider goods and service market.

Women living in urban areas gained their employed 'time' against a large reduction in the quota devoted to unpaid household activities, much more than halved since the 1994 Census. They also suffered an important increase in the 'time' spent seeking work, especially in Addis Ababa.

Figure 4.3 – Age-specific unemployment rate by sex and residence: 1984, 1994, and 1999



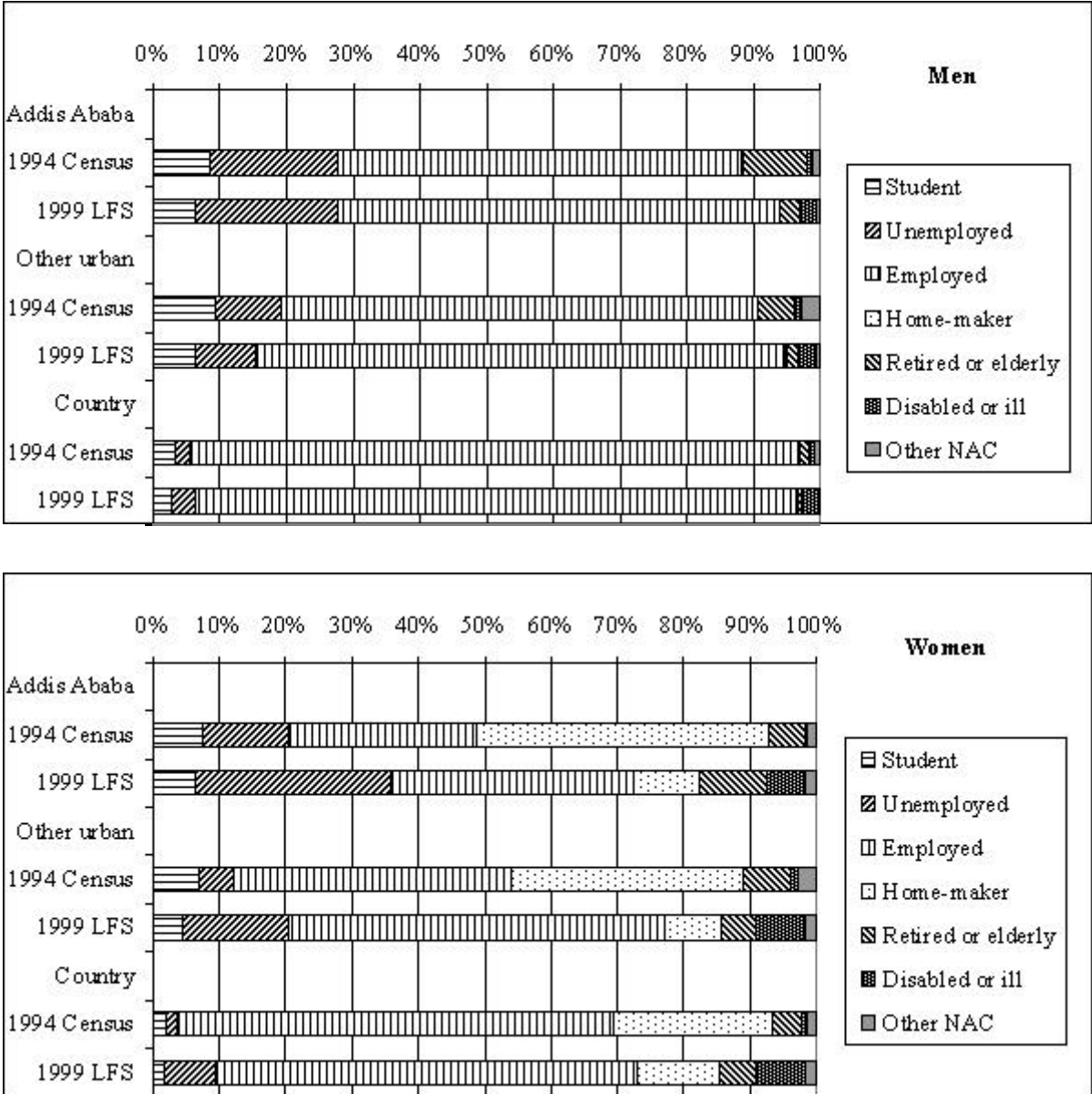
Their employment quota is still minor but in the rest of urban areas, where probably a productive pattern similar to rural zones prevails. In the capital city, the progress of female status is evident from several changes: i) the important increase from 41 to 66 per cent in the working-age quota during which women are in the labour market, employed or unemployed; ii) the increase from 28 to 37 per cent in the time-quota during which they appear as employed; iii) the reduction from 44 to 10 per cent of the working-age span as home-makers, provided that data are comparable.

In the case an estimated life table is available, under the same hypothesis and through the same method it is possible to calculate the notional number of years spent in various active/non-active conditions (Table 4.10). These measures are more directly useful for studies of labour productivity and for projections because they also depend on the actual survival of people during working-age span<sup>15</sup>, as well as from the setting of those conditions along the working life.

<sup>15</sup> The life table used in our exercise are the UN Model life tables for developing countries [UN, 1982], General pattern, chosen following the life expectancies at birth as estimated by CSA in its Analytical Report at Country level

The large reduction in the number of years spent by adult women in non-active conditions is the most impressive change which occurred in the 1984-1999 period. In urban areas, in 1994-1999 we observe the reduction by four of the 'time' passed in the home-maker condition. This could be interpreted as the clear sign of the changing role of women living in urban areas, a sign which is reinforced by the important increase in the number of years in employment. Nevertheless, in the capital city women suffer the increase in the length of their unemployment as well as of non-active conditions (retired or elderly, disabled or ill) which can mask women's difficulties in really entering the labour market. For men, changes mainly regard employment and unemployment mutually, with the long time (up to more than 7 years in Addis) spent in the latter condition according to the data from the 1994 Census and 1999 LFS.

Figure 4.4 - Notional share of the working-age span (15-64 yr.) by sex and residence: 1994 and 1999



[CSA, 1999: 230-240]. Life expectancies are supposed unchanged from 1994 to 1999. For urban Addis Ababa reliable life tables are not available for the year 1984.



**Table 4.10 - Notional number of years spent in active/non-active conditions by sex and residence between 10 and 64 years of age: 1984, 1994, and 1999**

	Country			Urban areas			Addis Ababa (urban)	
	1984 Census <sup>(a)</sup>	1994 Census	1999 LFS <sup>(b)</sup>	1984 Census <sup>(a)</sup>	1994 Census	1999 LFS <sup>(b)</sup>	1994 Census	1999 LFS <sup>(b)</sup>
<i>Men</i>								
Unemployed	0.3	0.9	1.3	1.8	4.9	5.0	7.2	7.7
Employed	32.2	32.8	32.9	26.4	23.8	26.9	21.4	23.5
Non-active conditions:	5.5	4.3	3.7	11.2	10.7	7.5	10.8	8.2
Student	n.a.	2.0	2.2	n.a.	6.7	5.4	7.0	5.9
Home-maker	n.a.	0.3	0.1	n.a.	0.3	0.1	0.1	0.0
Retired or elderly	n.a.	0.4	0.2	n.a.	2.0	0.6	2.8	0.8
Disabled or ill	n.a.	0.2	0.7	n.a.	0.3	0.9	0.2	0.8
<i>Women</i>								
Unemployed	0.3	0.6	2.9	1.2	3.2	8.1	5.3	11.2
Employed	22.6	23.8	23.0	13.5	14.3	19.1	10.7	13.9
Non-active conditions:	16.5	12.8	11.3	27.2	23.4	13.7	24.5	15.4
Student	n.a.	1.5	1.7	n.a.	5.9	4.9	6.6	5.9
Home-maker	n.a.	8.3	4.6	n.a.	13.6	3.3	15.3	3.5
Retired or elderly	n.a.	1.1	1.4	n.a.	2.1	2.0	1.6	2.9
Disabled or ill	n.a.	0.2	2.3	n.a.	0.3	2.4	0.2	1.9

(a) Census covered population.

(b) 1999 estimated population living in conventional households.

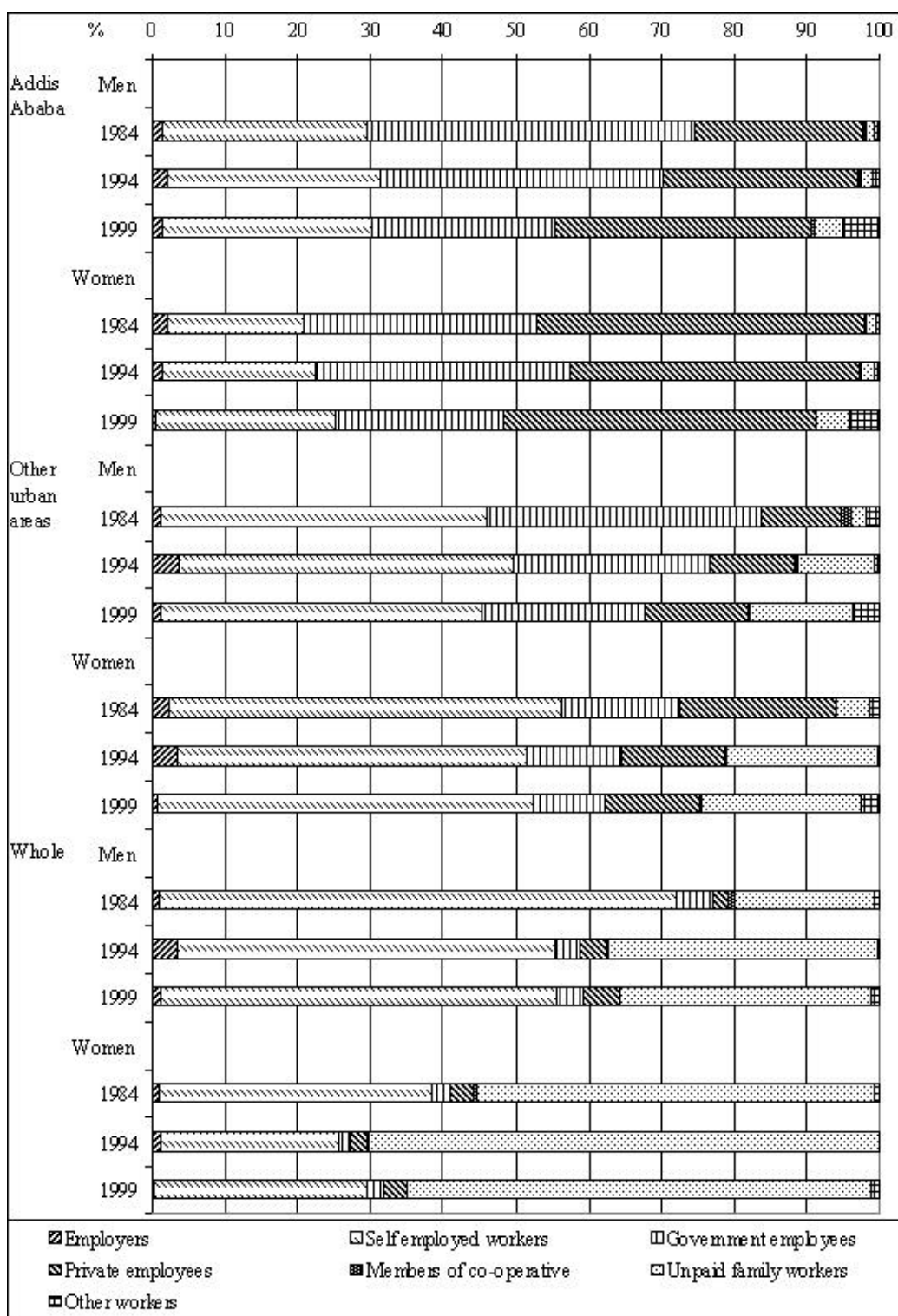
n.a. = not available

Source: own elaboration on CSA data.

#### 4.6 Changes in the economic structure of the workforce

As far as definitions and classification are comparable between the three sources we can also try to shed light on the changes occurred in the economic structure of the workforce. We prefer to single out the worker's position, traditionally classified in: employers, self-employed worker, government employee, private employee, member of co-operative, unpaid family worker, and other worker. We can find approximately these categories in both the two censuses and the 1999 National Labour Force Survey.

**Figure 4.5 – Economically active population by employment status, residence, and sex: 1984, 1994, and 1999**



The majority of the male labour force in the country are self-employed workers, while in the female workforce the unpaid family workers largely prevail (Figure 4.5). This is connected to the overwhelming economic primary activity performed in farms self-conducted by the households. In the 1984-1994 passage, the quota of the unpaid family workers increased substantially, both for men and women, probably because of a larger entrance of children into the workforce.

In towns, on the contrary, and especially in Addis Ababa the presence of the unpaid family workers is negligible also for women. Self-employed workers with government employees and private employees gather from 3/4 to more than 9/10 of the workforce. Men and especially women in urban areas other than the capital city are mainly self employed workers, and had suffered little reductions in the proportion of either the government employees (men) or the private employees (women).

In 1984 and 1994, the Government was the first employer for men in Addis Ababa, and the second for women. However, the quota of government employees was already declining between the two censuses, giving space, for the male workforce, to an enlarging private sector. This latter has become prevalent also for men following the 1999 LFS data. This is a profound structural change marching on in the capital city, which entails important changes in the chances and behaviour of the working and unemployed people.

#### *4.7 Some conclusions and hints for interpretation*

As we suspected, comparisons between the 1984 and 1994 Censuses and the 1999 Labour force survey are only partially useful in interpreting real trends regarding work and work-related items. The profound changes in the economic and political background the country has undergone in this fifteen-year period are reflected in the changes of the relevant aggregates, but the 'statistical mirror' may have been warped by the milieu or the events so that data may not always describe the real situation.

The incidence of contingency is particularly evident on unemployment, both in its low rates at the 1984 Census, the dramatically high rates at the 1994 Census, and the male/female contrasted trends in 1994-1999 change. The political and economic transition that Ethiopia and especially Addis Ababa have undergone in early '90s largely justify the 1994 high unemployment rates, making any in-depth analysis too much specific to that period, while the conflict with Eritrea can partially explain the different trends and condition by gender in the late '90s.

Nonetheless, differences in time and space are identifiable in the following main facts:

- i) The working-age population (15-64) is increasing fast in towns and especially in Addis Ababa as a percentage of total population. We can look at this fact as the 'workforce bulge' mentioned by the UNFPA Report of 1998. Low levels in young dependency ratios as well as the younger age-structure of the working-age population confirm this interpretation showing the large labour-force potential available by the economy in the capital city and the rest of towns;
- ii) The labour-force participation rates are lower in urban areas and especially in Addis Ababa in comparison to the rest of the country. Differences are important by gender (lower participation of women living in towns, especially at earlier dates) and by age (lower participation both at entry and exit ages, with typical patterns by gender);
- iii) The labour-force participation of women living in urban areas is increasing, so that they are approaching men in levels and patterns. We wonder how much the 'masculinisation' of the female labour supply is due to their increase in education, in the acceptability, by the society, of women's economic activity, or in the income needs of the households;

- iv) Unemployment is concentrated in urban areas and especially in Addis Ababa, where real labour markets operate. The possible scaling of unemployment levels according to the demographic dimension or local importance of the urban centres might confirm the ongoing parallel process of urbanisation and modernisation of labour in Ethiopia;
- v) The first-job seekers contribute overwhelmingly to the total unemployment. The 'workforce bulge' made up by a very young labour supply finds difficulties in entering the labour market successfully either because of their characteristics (this fact might be especially true for young women) or the inadequacy of the demand from a quantitative and qualitative point of view. In the capital city a 'late' unemployment is also present, probably because of the undergoing changes in the private sector and the civil service;
- vi) The higher and increasing unemployment rates following the higher pressure of young and middle-aged women on the labour market in Addis Ababa. This fact suggests the interpretation that the increased labour-force participation of women is caused mainly by the households' necessity of earning more money because of either poverty or increasing consumption needs;
- vii) The employment crisis undergone in correspondence of the 1994 Census. The crisis was particularly strong in Addis Ababa where more than one third of the workforce was seeking work. The specific difficulties in that transition period can justify those values, but the following recovery seems not to be able to reduce unemployment in the capital city.

## Chapter 5

### Socio-economic and Demographic Factors Affecting Labour-Force Participation and Unemployment

#### *5.1 Introduction*

The necessity of earning the vital income by work is almost universally diffused in LDCs' populations. Therefore, labour-force participation rates are barely dependent on demographic and socio-economic variables. As we saw above, even age is a poor discriminating factor, at least in rural areas. However, where choices are possible between work and non-work it seems worthwhile to explore the links which might exist between some individual characteristics and the labour-force participation. This may be the case in urban areas, where a wider distribution of people by socio-economic status is present and economic activity seems to be affected by socio-demographic variables in a stronger way, as we saw in previous chapters.

On the other side, the differential factors which affect unemployment can be appreciated only where real labour markets exist, especially where also qualitative mismatches between labour supply and demand occur, alongside with the quantitative ones, following the wide and possibly unbalanced spectrum of the skills offered and demanded. These conditions exist primarily in urban areas.

In this chapter we intend to highlight the possible connections between some demographic and socio-economic factors and the labour-force participation or the unemployment. Because of the aforesaid considerations the analysis is limited to the population living in urban areas as these are defined by the CSA in the 1994 Census. Only data from this source will be used starting from the relevant micro data base<sup>16</sup>.

A preliminary analysis is drawn in order to describe those connections one by one. Here, sex and age will be always used as key-factors in comparing rates by the other socio-economic variables. Starting from this basis and using appropriate statistical tools we will try to single out the most important differential factors and to 'weight' them in the complex relation they keep with work condition and unemployment.

Though work and unemployment are recorded as personal status, individuals share it with the other members of the household in which they live. The household dimension of work condition is an important point of view for appreciating the familial and social impact of labour difficulties as well as the possibility of social change and mobility. For this reason we will present also an analysis on activity and unemployment at household level. Because of the machinery in the relevant data processing we will limit this analysis only to Addis Ababa in 1994.

#### *5.2 Differential labour-force participation and unemployment by some demographic and socio-economic characteristics*

The following demographic and socio-economic variables will be considered: marital status, kinship relation to the head of the household, ethnic group, religion, education, migration status, and household economic status. Also the number of children living in the household will be considered in analysing female economic activity. The effect of each variable on labour-force participation and unemployment rates will be described comparing the levels by sex and by five-year age-groups.

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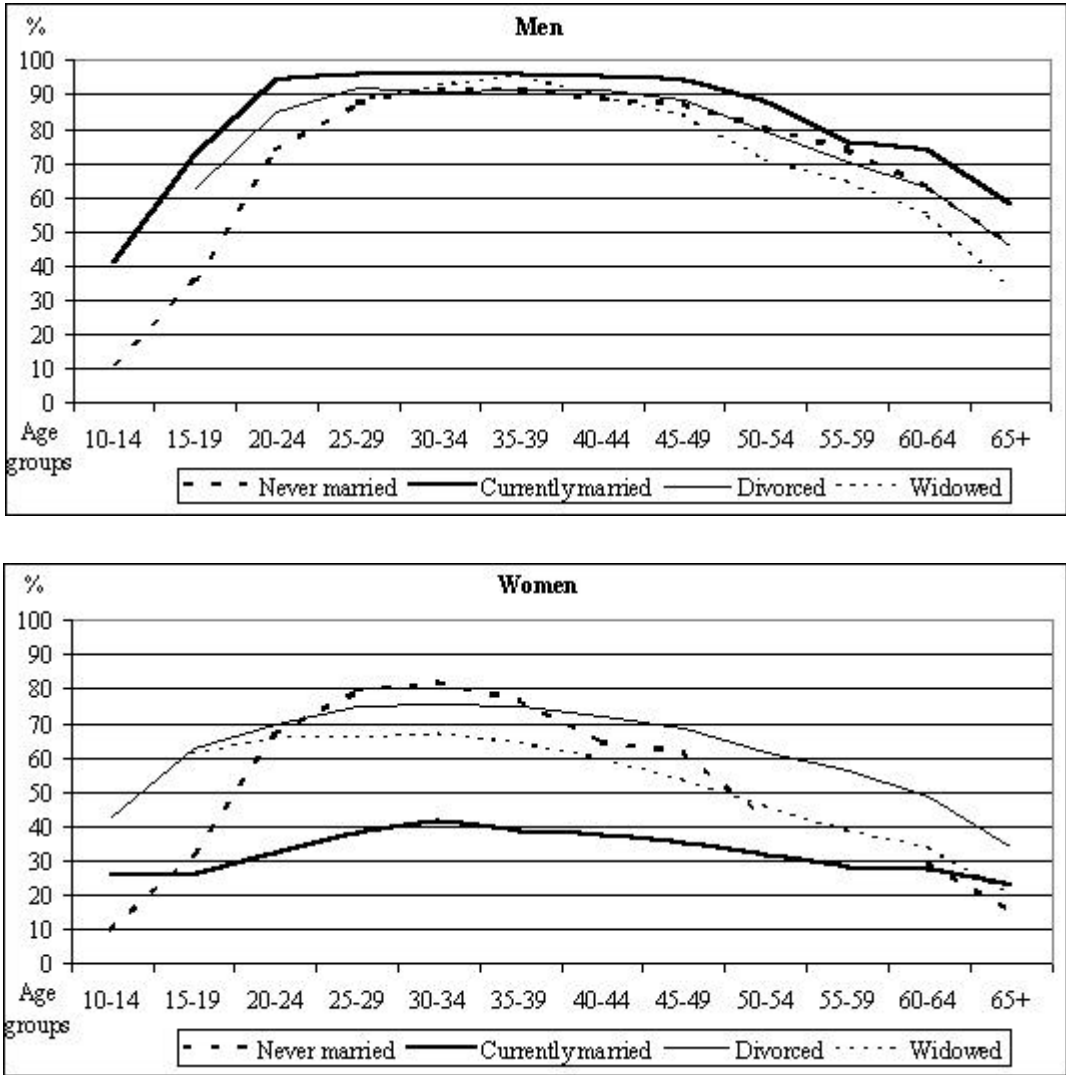
<sup>16</sup> Records with any missing data in the subset of variables here utilised have been erased.

5.2.1 Marital status

Marital status often plays an opposite role respectively in male and female labour-force participation rates, at least in central and older ages. Persons inadequate to work (disabled<sup>17</sup> or permanently ill persons, indolent persons, etc.) may be found more often among the never-married men in societies where marriage is almost a rule: their activity rate is consequently lower than the married people's one. On the contrary, the labour-force participation rate of the adult never-married women is often higher both because their fewer engagements in the house and children keeping and their stronger need to earn their living by work. Also a positive selection by education and modern-style attitudes may add, as it probably happens for divorced women. Instead, the lower rates for young unmarried people of both sexes are justified by the obvious connection between the continuation of upper studying and the postponement of both their family formation and the entrance into the labour market.

Data for urban areas in 1994 confirm these differences with a significantly lower age-curve for the never-married men and striking different labour-force participation rates in levels and pattern for the unmarried women (never-married, divorced or widowed women) when compared to the much lower and relatively flat curve for the currently married women (Figure 5.1).

Figure 5.1 - Labour-force participation rates by marital status: urban areas, 1994



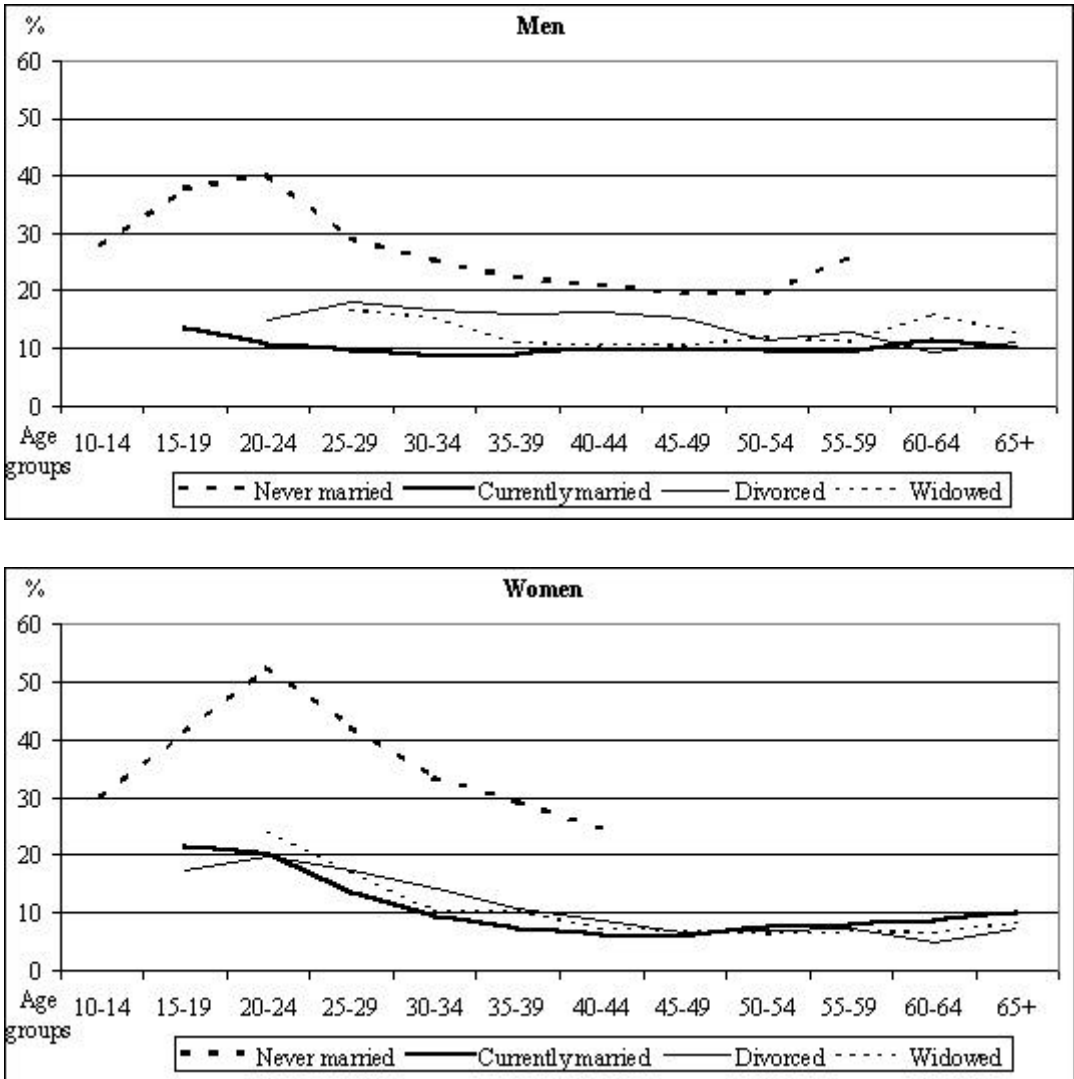
<sup>17</sup> Following the 1994 Census, there were 22,330 disabled persons aged 15-49 years in urban areas and 11,855 aged 50 and over.

More than 80 per cent of the never-married women aged 30-34 years are economically active. The decrease in older ages is probably due to both an age effect, which shrinks the number of those women to a group where the aforesaid disabilities may become more important, and a cohort effect with the older female generations officially working less in the urban context.

It is worthwhile to note that patterns and levels for the never-married men and women are similar in younger ages: differences are negligible at age 15-19 and are less than 10 percent points still at age 30-34, showing a similar scheme of entrance of the young generations into the labour market for the never-married men and women.

Though the late entry into the labour market, both never-married men and women suffer an higher unemployment rate than other marital statuses (Figure 5.2). This is particularly true in young ages, partially because the young unmarried people who are still living in their parents' home can afford longer periods of unemployment while seeking a suitable job. On the other side, the sharp need to work for adult single men and especially women pushes for a more pressing labour-force participation, so causing higher unemployment rates also in older ages.

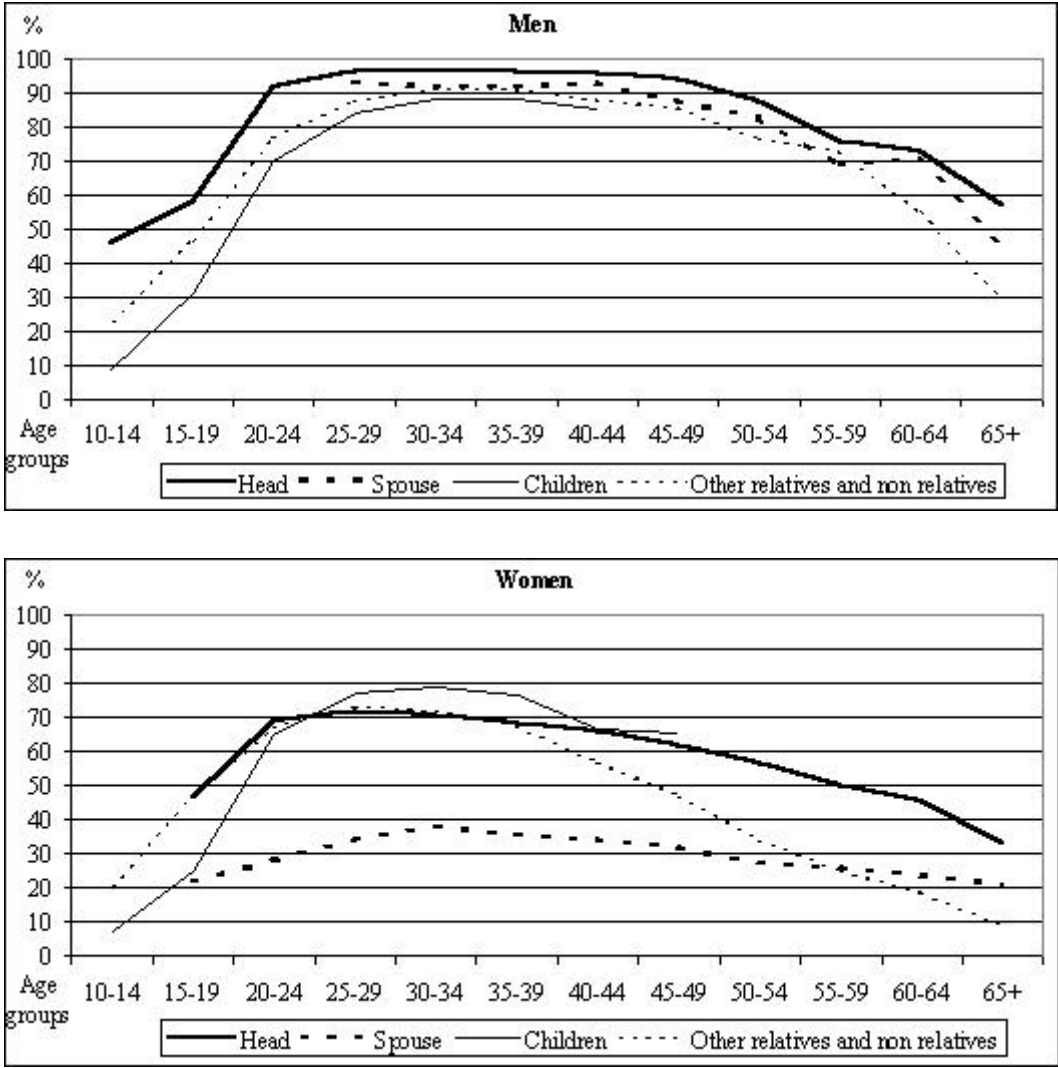
**Figure 5.2 - Unemployment rates by marital status: urban areas, 1994**



5.2.2 Kinship relation to the head of the household

As we could expect, we find the patterns and gender differences in the labour participation rates of children in the age span between 10 and 35 years similar to the patterns we found analysing the economic activity of the young never-married people (Figure 5.3).

**Figure 5.3 - Labour-force participation rates by the kinship relation to the head of the household: urban areas, 1994**

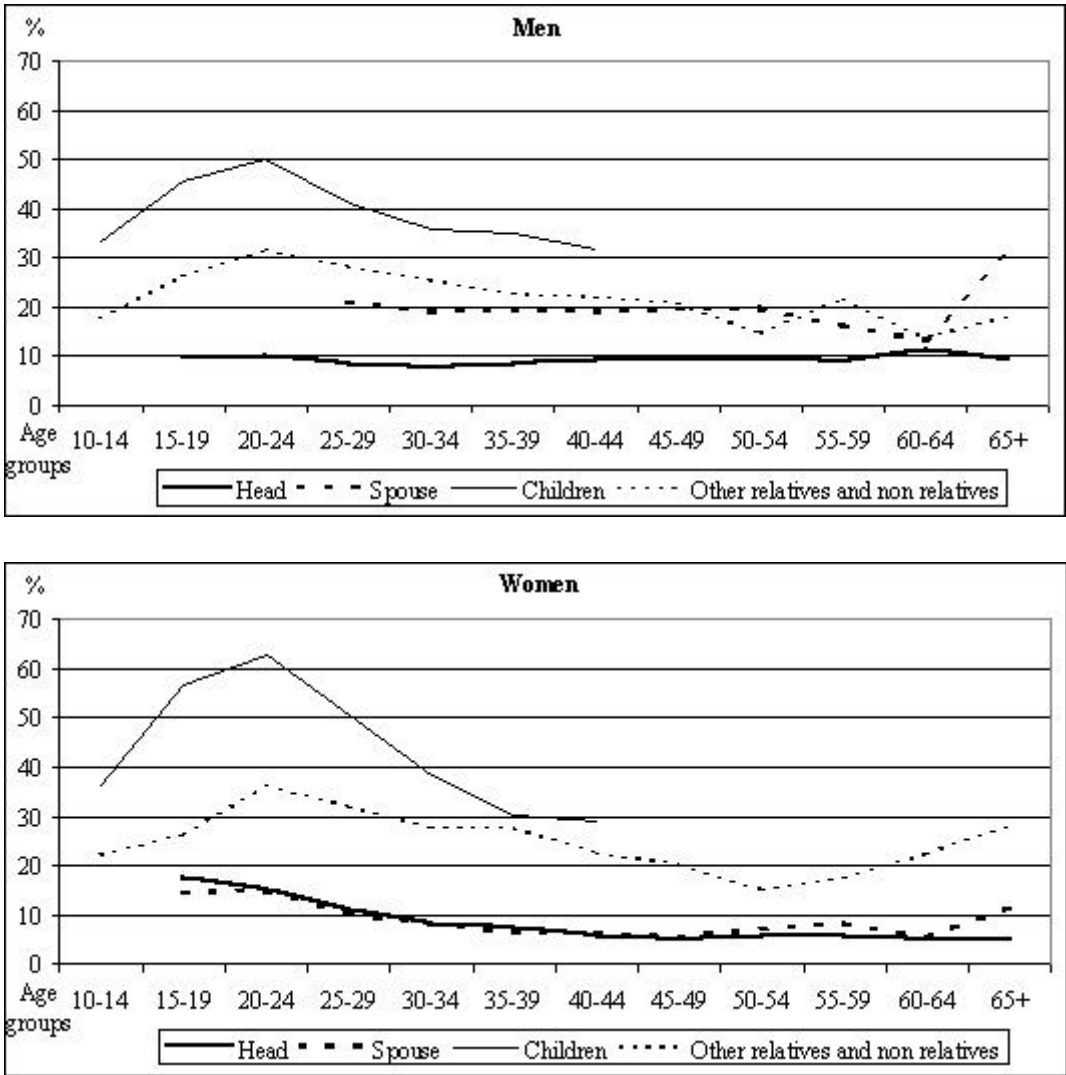


The headship responsibility in the household forces men and women to be economically active, as well as – on the contrary – being economically active is a pre-condition to the family formation, at least for the great majority of men. In fact, differences are remarkable especially for women, so sketching a twofold urban society, where wives are mainly housewives or, anyway, they are not formally engaged in labour activity, while the women who, married or unmarried, are head of a household work in a much larger proportion. Nevertheless, the highest female labour-force participation rate is reached by the daughters at age 30-34, the same maximum we noted above for the never-married women. This fact makes us suspect that women’s economic independence is still hardly accompanied by their household independence in the younger cohorts too. The daughters’ high activity rates in young-central ages may also come from the necessity of an additional income in the household.



The differentials in unemployment rates by the kinship relation to the head of the household confirm that youth unemployment is a matter of the members of the household other than the head, mainly of the children, being the heads' unemployment at much lower and steady level (Figure 5.4). This fact could partially alleviate the negative impact of such high unemployment rates the 1994 Census registered in urban areas, since that burden was largely shared within households in which at least their head actually worked. While unemployment rate is about the same for women either heads of household or spouses, for men the latter position doubles this rate showing the relation it may exist between unemployment, especially if a long-lasting one, and the role of men and women in the couple.

**Figure 5.4 - Unemployment rates by the kinship relation to the head of the household: urban areas, 1994**

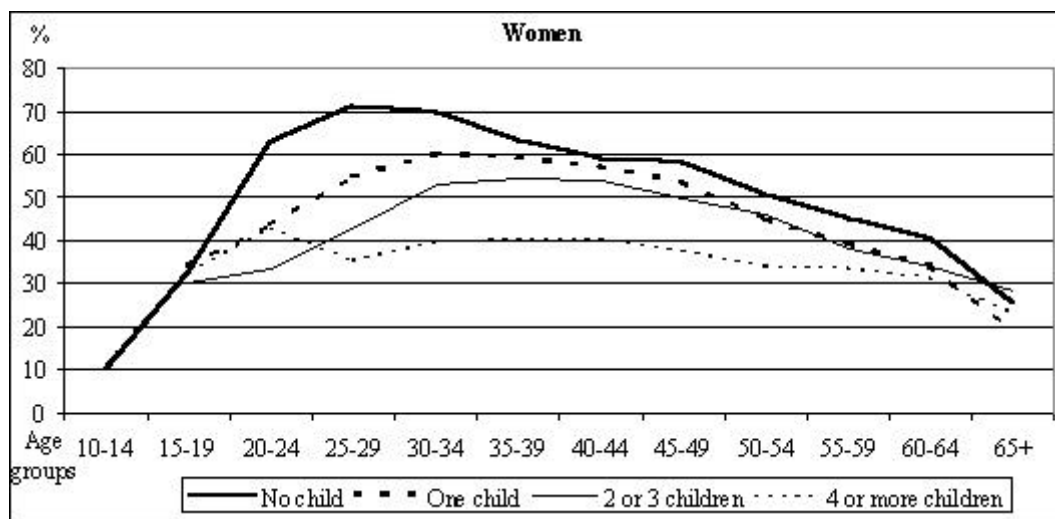


5.2.3 Number of children living in the household

Competition between female work and reproduction is a debated item in developed countries: factual obstacles add to rational choices of the couple and to mass behaviour in reducing fertility of working women often deferring their reproduction to older ages. This may be partially the same in LDCs' urban areas though the poorer jobs the most part of women actually perform and the lower control they have on their fertility.

Female labour-force participation rates in urban Ethiopia are actually inverse-related with the number of children living in the household<sup>18</sup> (Figure 5.5). The childless women's rates are higher in every age-group, but they shape in an apparent early-exit model because of the progressive selection of this group caused by the passage of women from the single and daughter condition to the married one with one or more children<sup>19</sup>. Women with a highly controlled fertility (only one or two cohabiting own children) show participation rates more similarly shaped as the male pattern, though on much lower level: is this the hint of a new emerging urban class in which women have reproductive and work behaviours similar to the MDCs' women<sup>20</sup>?

**Figure 5.5 - Female labour-force participation rates by the number of own children living in the household: urban areas, 1994**



#### 5.2.4 Ethnic group and religion

The differences in labour-force participation or unemployment by ethnicity are not very important, so that we do not show the relevant graphs. Only a more marked division of gender roles seems to characterise people of Guragie<sup>21</sup> origin, whose men work longer and more intensively than men from all the other ethnic groups, and women work less, especially in central and older ages. Guragie males suffer less unemployment than the other ethnic groups, especially in the young ages. Guragie women show higher youth unemployment rates. Amara men, who traditionally were more engaged in civil service, show an earlier exit pattern, which may partially correspond to their pensioning, but they also suffer higher unemployment in young ages. Amara women are a little more economically active in the central-young ages than other groups. People of Tigraway origin have later entry into and later exit from the labour market.

We find these patterns confirmed when labour-force participation rates are checked by religion<sup>22</sup>. Muslims (e.g., people of Guragie origin) behave more traditionally for what regards gender roles and work responsibilities in the household. The Christians, either Orthodox or of other creed, show similar levels, patterns, and gender differences in economic activity and unemployment.

<sup>18</sup> Note that this number is computed on the mother's own children of any age, still living in the household in which she lives: the possible cohabiting offspring of her husband is not considered.

<sup>19</sup> In later ages the economic activity levels converge also because the number of cohabiting children declines because of their exit from their parents' home.

<sup>20</sup> For a micro-level study on this item see Kidane, 1995.

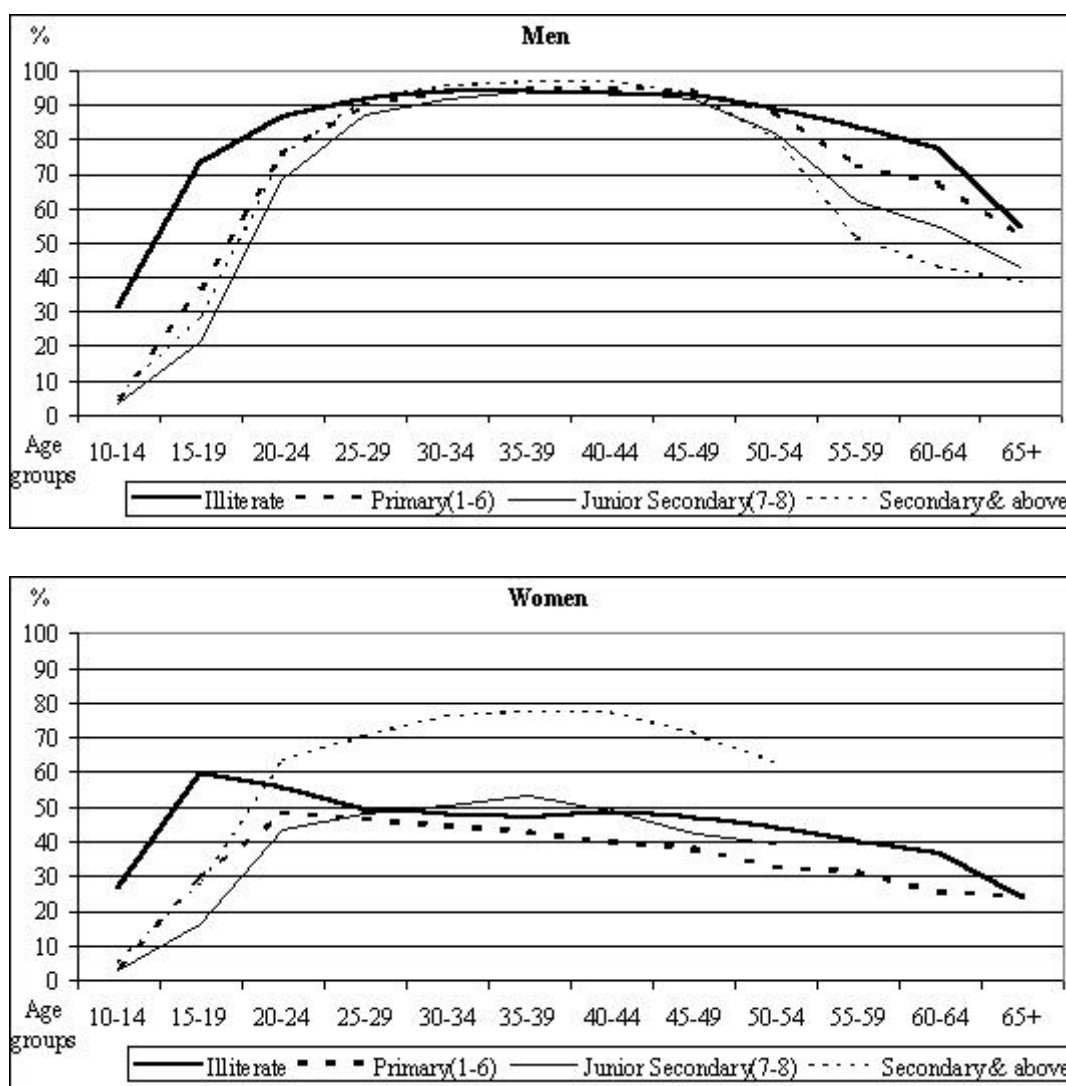
<sup>21</sup> Actually, people of the ethnic groups Sebatbet Guragie, Sodo Guragie, and Siltie are gathered here. Many of them are traditionally traders or retailers.

<sup>22</sup> The relevant graphs are not reported here, also.

## 5.2.5 Education

The labour-force participation patterns by education are almost obvious (Figure 5.6). The early entry of illiterate people comes not only from their being free from school commitments in very young ages but also – quite probably – from the strong necessity of income in the households to which they belong [Krishnan 1996]. This same fact compels less educated men to work in older ages too, when educated people leave their jobs the earlier the higher education they have.

**Figure 5.6 - Labour-force participation rates by education<sup>(a)</sup>: urban areas, 1994**

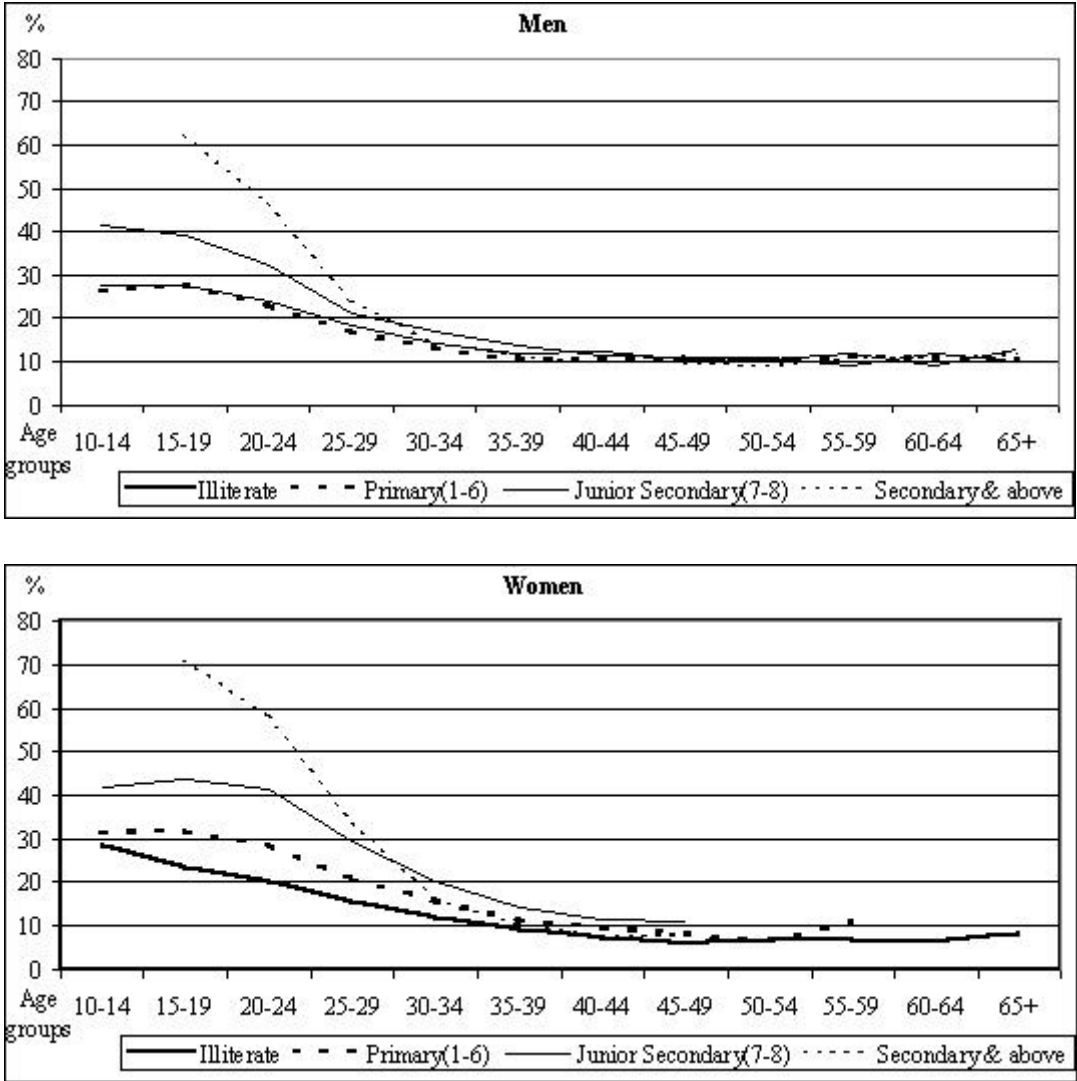


<sup>(a)</sup> Evaluated according to the number of school years attended.

The entry pattern into the labour market is surprisingly similar for all the other educational levels here considered. In fact, men and especially women with junior secondary school (7-8 years of school completed) enter the labour market a little later than both primary education (1-6 years) and secondary and above (more than 8 years completed). This fact highlights the not-negligible presence of idle young people neither enrolled in schools nor engaged in work: the very high youth unemployment rates in the early '90s can partially justify the absence of part of the young, middle-educated people from the formal labour market, but this makes us doubt that they actually worked, at least casually in the informal sector. Women with secondary education and above are the most economically active starting from age 20-24 onward, with a clear age-profile similar to the males.

The youth unemployment rates by educational level (Figure 5.7) should induce us to hypothesise negative returns to education since rates in early ages are higher the higher education men and especially women have, while at the same ages less illiterate people are seeking work. In ages older than 35 years no significant difference in unemployment is appraisable for men between different educational levels. Instead, women with secondary school level seem to maintain a higher probability to seek work than other women have.

Figure 5.7 - Unemployment rates by education<sup>(a)</sup>: urban areas, 1994



<sup>(a)</sup> Evaluated according to the number of school years attended.

The specificity of the historical period in which the 1994 Census was taken may partially justify these unexpected results: the important changes in the economic structure and the reductions of the employees in the public sector, which occurred in the early '90s, probably made the entry into the market worse for people seeking the kind of jobs which traditionally are carried out by educated workers<sup>23</sup>

On the other side, the transient situation, with so many insecure and low level jobs, may have favoured the employment of illiterate people and of those with low educational levels, who, most

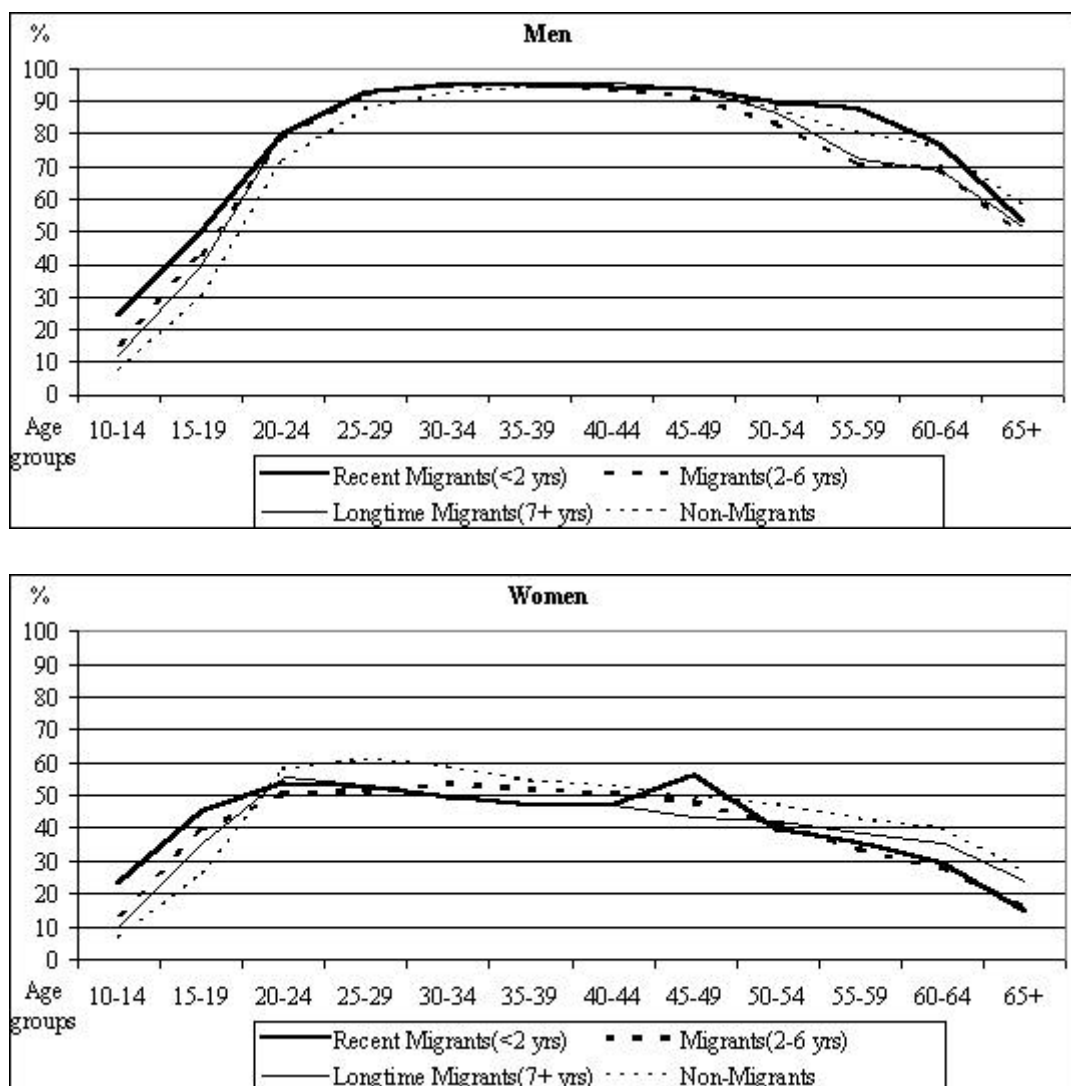
<sup>23</sup> On these items see also Mengistae 1998.

probably, were seeking work or, even, were working unofficially in occasional jobs since their earlier ages<sup>24</sup>.

### 5.2.6 Migration status

Urban societies, especially in LDCs, are often characterised by the scaling of people according to the length of their permanence in town. More recent immigrants are normally less educated and poorer than natives and long-time migrants: therefore, they have a stronger necessity to work and a higher propensity to accept any kind of work demanded. Their entrance pattern into the labour market is earlier.

**Figure 5.8 - Labour-force participation rates by migration status<sup>(a)</sup>: urban areas, 1994**

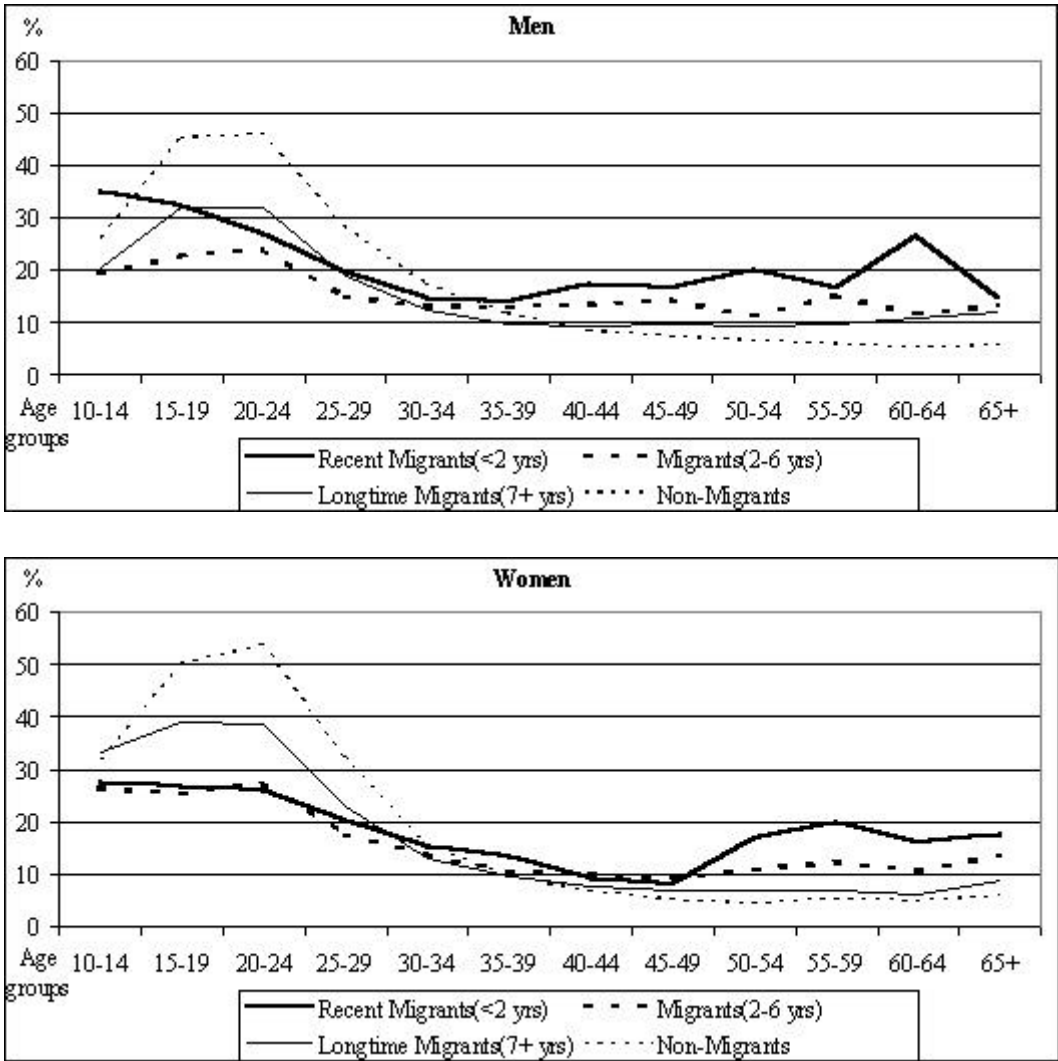


<sup>(a)</sup> Evaluated according to the number of years elapsed from the last immigration in town.

<sup>24</sup> Krishnan, Selassie and Dercon, analysing a longer period (1990-1997) by means of survey data in urban Ethiopia, point out that «... having at least secondary education increases the marginal probability of being unemployed ...» [1998: 17]. They connect this fact to the hypothesis that «Education is clearly linked with an intention to work: secondary education has a strong negative effect on being out of the labour force» [ibidem]. In fact, we did not find higher labour-force participation rates of more educated people but for women older than 24 years.

This picture is confirmed in the analysis of the activity and unemployment rates in urban Ethiopia by 'migration status' (Figures 5.8 and 5.9). Male recent migrants show higher labour-force participation rates at any age, especially at young and old ages. The corresponding women are more economically active only at young ages, probably because of the very poor competence the older ones can offer on the market and the traditional role they have in their families. For both genders labour activity in young ages competes with education, so limiting the upward mobility of recent migrants in employment as well as in the society.

**Figure 5.9 - Unemployment rates by migration status<sup>(a)</sup>: urban areas, 1994**



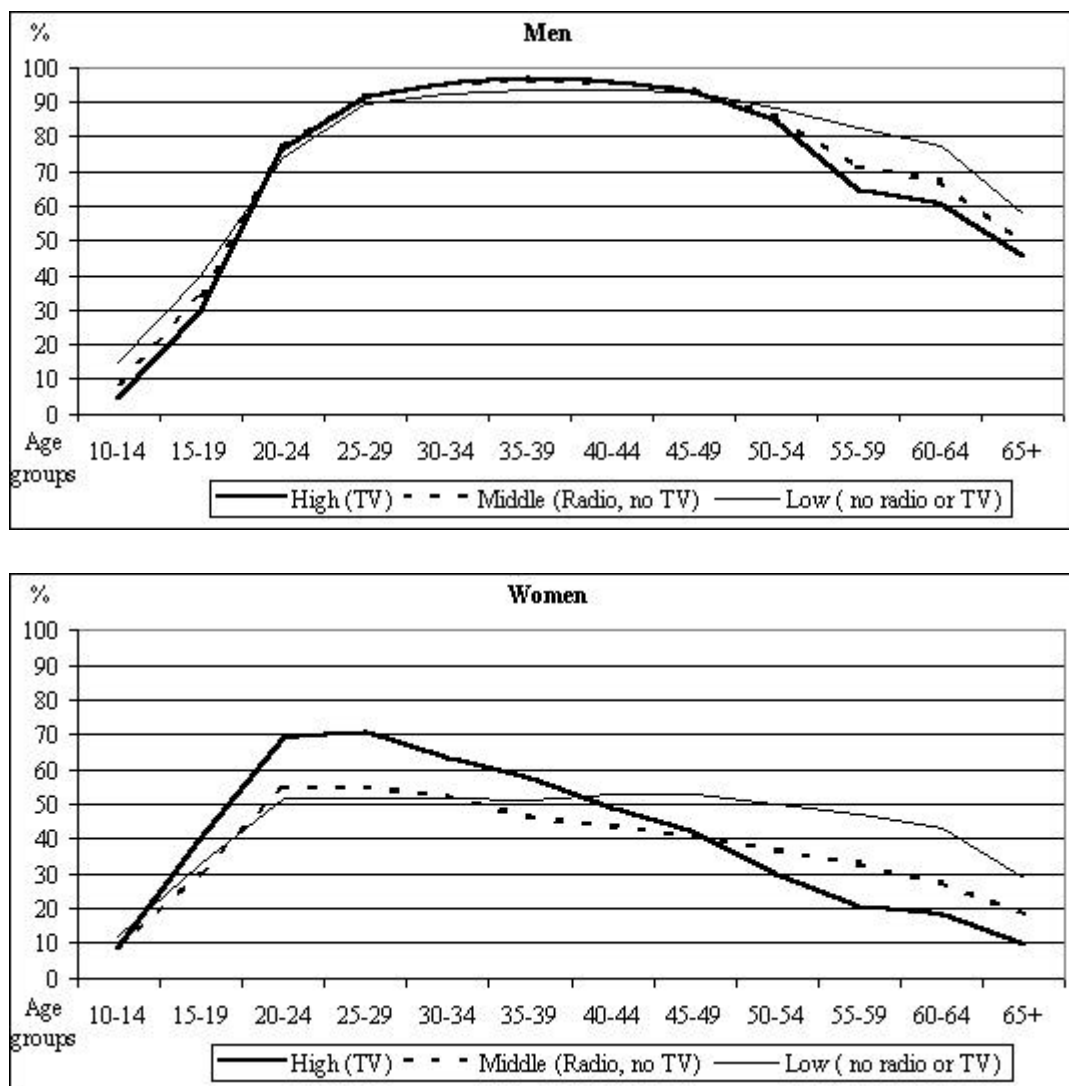
<sup>(a)</sup> Evaluated according to the number of years elapsed from the last immigration in town.

Non migrants, on the contrary, have a later entrance into the labour market. This proves their possibility to go on studying or, anyway, to wait for a suitable job. A confirm comes from their higher youth unemployment, that they can bear because many of them still live at their parents' home, depending on the other household members' revenues. This is partially true also for the long-term migrants. At the older ages, recent migrants' unemployment is the highest again because of the possible concurrence of the newer and younger immigrants on the same poor jobs: the necessity of earning by work compels the older ones to remain on the market in any case, seeking work.

### 5.2.7 Socio-economic status of the household

As far as in LDCs the ownership of media devices, as TV or radio, are symbols of wealth and modernity we can measure the differential labour activity and unemployment of people according to the availability of these appliances in the household in which they live (Figures 5.10 and 5.11).

**Figure 5.10 - Labour-force participation rates by economic status of the household<sup>(a)</sup>: urban areas, 1994**



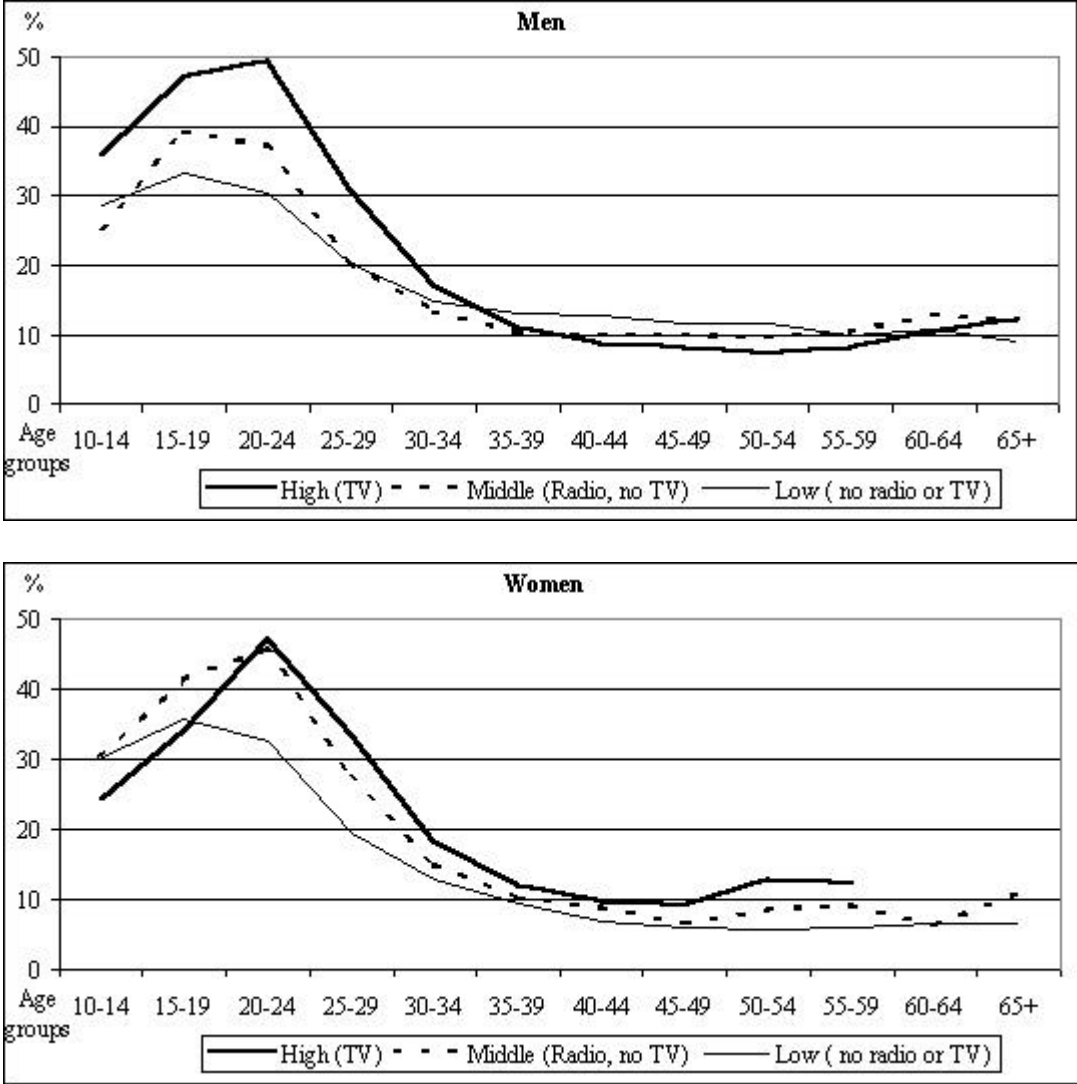
<sup>(a)</sup> Evaluated according to the availability of media equipments.

For men of urban Ethiopia a better well-being corresponds to a late entry into the labour market and an early exit from it. Women belonging to the better equipped households show a much higher labour-force participation rates in young and middle ages but, apparently, an early exit: we can suppose that their high youth activity rates are from the daughters of the better-off families and/or from the most educated young women, while their low participation rates in older ages may come from an old-fashioned bourgeois attitude not to let married women work outside the household whenever the household's income makes it possible.

Obviously, youth unemployment can better and longer be borne by people belonging to better-off families. The early '90s period difficulties in getting a job for the more educated labour supply made the sons' and daughters' unemployment rise in the households which could wait for

better job opportunities according to their higher income. In older ages, unemployment is lower for richer men, higher for richer women: the former ones are actually the breadwinners, on whose labour income the wealth of the households are mainly based; the latter ones, in the case they want and are allowed to work for the market can wait for longer time to choosing a job suitable to their will.

**Figure 5.11 - Unemployment rates by economic status of the household<sup>(a)</sup>: urban areas, 1994**



<sup>(a)</sup> Evaluated according to the availability of media equipments.

**5.3 The differential risk of labour force participation and unemployment through log-regression models**

In the previous parts it was shown that economic activity and unemployment depend on a multitude of socio-demographic characteristics of the individuals. After the analysis of the age pattern of the labour force participation rates and unemployment rates by various characteristics, the task remains to attach specific ‘weights’ to these various factors. This task is even more difficult since the various socio-demographic characteristics of the individuals are usually not independent, but to the contrary, strongly related. The method of logistic regression analysis allows to attribute the differential risk to the various socio-demographic characteristics. The



following analysis will be limited to three different aspects already studied above: relationship in the household, age, and educational attainment. Since various attempts with more complex models have not yielded more satisfactory results, the authors prefer to offer here a somewhat simplistic view of economic activity and risk of unemployment. The models have been always run by gender separately. Also a size divide in urban areas has been introduced separating towns with less or more than 20,000 inhabitants.

The logistic regression analysis tries to predict whether an event will or will not occur, or in the context of the present study, if a person will be economically active or unemployed. The logistic regression analysis estimates the probability of an event occurring. In order to prepare the available data for the logistic regression analysis<sup>25</sup> they were recoded and for each variable a reference category was defined. The variable describing the relationship in the household is divided into four categories: head, spouse, child and other relatives or non relatives. The reference categories are 'head' in the case of men and 'spouse' in the case of women. The age groups are reduced to five (15-24, 25-34, 35-44, 45-54 and 55-64) and the 25-34 age group is defined as the reference. Educational attainment is described through four categories: illiterate, 1 to 6 years of schooling, 7 or 8 years of schooling and 9 years of schooling or more. For men and women, '1 to 6 years of schooling' was taken as the reference category. This coding scheme, with one category as a reference, allows to represent the effect of each category compared to the chosen reference category. For simplicity, no interaction terms were taken into consideration.

The values reported in the tables (Tables 5.1 and 5.2), log odds, are the factors by which the odds of the category change in relation to the reference category. Whereby the reference to 'odds' means the relation between the probability of the event and the probability of the no event<sup>26</sup>. In interpreting the results, their relative character has to be kept in mind. The odds of the reference category vary from observation to observation.

Based on the logistic regression analysis, the results of the previous descriptive analysis are confirmed. Applying the same model for men and women and in the different urban settings allows a direct and easy comparison. The logistic regression analysis underlines the importance of the position in the household vis-à-vis decisions regarding economic activity and the risk of unemployment. Again, from this analysis a causal relationship can not be deducted, but it is evident that male household heads have a significantly higher labour force participation and a significantly lower risk of unemployment.

Due to the role in the fundamentally different roles of men and women in the family the position in the household has a different influence on labour force participation (Table 5.1). In the case of a women as head of the household, men declaring being a spouse have a very low labour force participation. Also children and other relatives have always significantly lower participation rates. The overall lower labour force participation of women leads to different log odds for the age groups, but to a similar pattern. The same holds for the educational attainment. Illiterate and higher educated persons have higher participation rates than persons with 1 to 8 years of schooling. The pattern of the log odds differ only slightly in the different urban settings. In most cases a continuous change of the log odds for the three urban categories can be observed. It is useful to recall here the similarity between small urban centres and the rural areas of Ethiopia.

The risk of unemployment varies considerably according to the position in the household (Table 5.2). Men who declare themselves being a spouse have a considerably higher risk of unemployment, even if the number of cases is certainly negligible. All age groups have a higher unemployment than the 25 to 34 reference age group. In the case of educational attainment, the log odds are lower for illiterate persons and higher for both categories with more years of

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<sup>25</sup> The SPSS procedure logistic regression was applied. Since this procedure does not allow the weighting of observations, a special data set was created to simulate the weighting of observations.

<sup>26</sup> Odds = Prob(event)/Prob (no event).

schooling than the reference category. In the case of the educational attainment of men the pattern of the log odds changes for different urban settings, whereas in small urban areas illiterate men have a lower risk of unemployment, in larger urban areas and Addis Ababa this risk is higher than the reference category.

**Table 5.1 - Logistic regression results for labour-force participation: urban Ethiopia 1994**  
(log-odds ratios)

	<i>Urban Ethiopia</i>	<i>Small urban areas (<math>&lt; 20,000</math> inh.)</i>	<i>Large urban areas (<math>\geq 20,000</math> inh.)</i>	<i>Addis Ababa</i>
<b>Men</b>				
POSITION IN HOUSEHOLD				
Head (reference)	-	-	-	-
Spouse	0.015	0.011	0.029	0.013
Child	0.121	0.103	0.118	0.131
Other relatives and non-relatives	0.165	0.129	0.142	0.226
AGE				
15-24	0.249	0.289	0.253	0.210
25-34 (reference)	-	-	-	-
35-44	0.670	0.660	0.755	0.592
45-54	0.224	0.277	0.287	0.143
55-64	0.051	0.084	0.072	0.020
EDUCATIONAL ATTAINMENT				
Illiterate	2.138	2.847	1.952	1.320
1 to 6 years of schooling (reference)	-	-	-	-
7 to 8 years of schooling	0.548	0.593	0.619	0.428
9 years and more of schooling	1.247	1.129	1.321	1.070
Model chi-square	948028	432637	255693	291873
Correctly attributed (in %)	76.7	81.1	76.6	76.8
<b>Women</b>				
POSITION IN HOUSEHOLD				
Head (reference)	4.105	4.412	4.231	3.564
Spouse	-	-	-	-
Child	2.402	1.833	2.308	4.121
Other relatives and non-relatives	3.990	2.359	3.811	9.366
AGE				
15-24	0.432	0.568	0.378	0.293
25-34 (reference)	-	-	-	-
35-44	0.889	0.972	1.009	0.830
45-54	0.652	0.879	0.772	0.481
55-64	0.400	0.589	0.488	0.252
EDUCATIONAL ATTAINMENT				
Illiterate	1.296	1.483	1.153	0.893
1 to 6 years of schooling (reference)	-	-	-	-
7 to 8 years of schooling	0.818	0.843	0.862	0.800
9 years and more of schooling	2.177	1.797	2.097	2.374
Model chi-square	252133	97081	79246	123446
Correctly attributed (in %)	64.2	63.5	63.8	68.4

Source: own elaboration on CSA data.

These selected results of a logistic regression analysis give an indication of the quantitative importance of different categories regarding economic activity and unemployment. The simultaneous analysis taking into account the three selected independent variables allows the comparison of their effects. In both cases – economic activity and unemployment – the position in the household plays a dominant role. The results regarding the age pattern corresponds to expectations, whereas the effect of educational attainment is more complex than the descriptive analysis suggested.

**Table 5.2 - Logistic regression results for unemployment: urban Ethiopia 1994**  
(log-odds ratios)

	<i>Urban Ethiopia</i>	<i>Small urban areas (&lt; 20,000 inh.)</i>	<i>Large urban areas (≥ 20,000 inh.)</i>	<i>Addis Ababa</i>
<b>Men</b>				
POSITION IN HOUSEHOLD				
Head (reference)	-	-	-	-
Spouse	56.706	429.079	38.462	15.188
Child	9.754	9.746	10.406	7.744
Other relatives and non-relatives	4.884	4.940	4.401	3.393
AGE				
15-24	1.284	0.967	1.272	1.709
25-34 (reference)	-	-	-	-
35-44	1.267	1.341	1.302	1.012
45-54	2.060	2.072	1.865	1.494
55-64	4.176	3.304	3.413	3.684
EDUCATIONAL ATTAINMENT				
Illiterate	0.866	0.851	1.291	1.227
1 to 6 years of schooling (reference)	-	-	-	-
7 to 8 years of schooling	1.751	1.757	1.575	1.606
9 years and more of schooling	1.479	1.408	1.358	1.245
Model chi-square	688762	411060	176084	143776
Correctly attributed (in %)	79.2	88.1	77.5	71.3
<b>Women</b>				
POSITION IN HOUSEHOLD				
Head (reference)	0.695	0.555	0.524	1.197
Spouse	-	-	-	-
Child	9.511	11.997	8.124	8.539
Other relatives and non-relatives	4.134	4.783	3.189	2.842
AGE				
15-24	1.099	0.620	1.093	1.659
25-34 (reference)	-	-	-	-
35-44	1.836	3.334	1.656	0.982
45-54	4.914	7.490	4.719	2.116
55-64	13.533	16.853	11.005	13.204
EDUCATIONAL ATTAINMENT				
Illiterate	0.351	0.232	0.476	0.704
1 to 6 years of schooling (reference)	-	-	-	-
7 to 8 years of schooling	2.808	4.568	2.674	1.821
9 years and more of schooling	1.797	2.302	1.579	1.532
Model chi-square	433612	284269	103610	81190
Correctly attributed (in %)	78.0	86.3	76.3	72.1

Source: own elaboration on CSA data.

#### *5.4 The household dimension of labour force participation and unemployment*

Up to now the influence of socio-demographic variables was analysed at the individual level. Undoubtedly many decisions regarding the demographic, social, and economic behaviour of the individuals are taken at the household or family level. Among these decisions economic activity is certainly one of the most important. Households need financial resources to fulfil the basic needs of all household members. These necessary resources are in general provided by the economic activity of some of them.

Rural households in a subsistence economy – as this is the case of Ethiopia – rely on every member to contribute to the production of the products and services needed. An internal division of tasks and responsibilities is ensuing, which involves usually all household members, even the youngest ones, and leaves little room, time, and financial resources for school attendance of the youngest and for retirement of the elderly.

The situation of households in the urban setting is much more varied. The possible household organisation ranges from the subsistence form, where all household members are involved in the survival of the household, to more elaborate schemes which allow reasoning over a longer period of time. The investment in the schooling or education of some family members – investment in human capital – may be a relevant phenomenon. Strategies regarding the success of the offspring, which the rural household (often) cannot afford, can be observed. In urban households even retirement is possible. This variety is certainly due to the economic opportunities which exist in the urban setting. Especially the public sector – federal and regional governments and other national or local institutions – offer the job-security and the earning level to allow more alternatives to the household.

##### 5.4.1 The household structure in urban Addis Ababa

Households in Ethiopia have rather complex structures in most cases: nuclear families with parents and children are rather the exception in both the rural and urban environment<sup>27</sup>. In towns and especially in the capital city large households are very common, mainly because of the difficulty in finding adequate housing and immigration. The consequence are far more complex decision-making processes in large households: there might be unwritten agreements in allowing different members of the household either to study and to pursue education, or to contribute to the household needs with their time and work, or to participate in the labour market.

An analysis of urban Addis Ababa (Table 5.3) shows that 10.5 per cent of the households are one-person households, 1.7 are formed by one adult aged ten years and over and one or more children less than ten-year old, 3.1 per cent are couples without children, and 21.1 per cent are couples with one or more children. The households formed only by members aged ten years and over are 49 per cent of the total number of households sized up to ten members: their average size is 3.42. Those with at least one child aged less than ten years are 51 per cent, with an average size of about 6 members, 1.73 children and 4.26 adults. It seems quite common that other relatives – brothers and sisters of the head or the spouse, for example – live in the household: in fact, the average size of the overall households up to ten members is 4.73. To simplify the analysis gender is not considered, the principal objective being the household dimension of work and non-work condition of its members.

The age structure of household members reflects the young structure of the 1994 Addis Ababa population. Middle-aged members (25-64-year old) were the majority in households sized 1÷5. In larger households young adults (10-24-year old) prevailed, while children aged less than ten years were about 1/5 in total households starting from size four: actually they went from 1/3 to

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<sup>27</sup> For an analysis of this topic based on the 1994 Census data see Farina et al. (2001).

1/4 when we take only the households with children sized 3÷10. The relative presence of the elderly (65 years and over) was nearly negligible but in one- or two-person households.

**Table 5.3 - Overview of the household structure: urban Addis Ababa, 1994**

	Number of household members											Total (a)
	1	2	3	4	5	6	7	8	9	10	11+	
Household distribution (%)	10.5	11.3	12.5	13.2	12.2	11.0	9.0	7.0	5.0	3.6	4.8	100.0
Household structure (%):												
only 10+yr. components	100.0	89.4	59.5	44.2	36.2	28.7	24.8	22.1	19.0	15.7	...	49.0
with 0-9yr. components	-	10.6	40.5	55.8	63.8	71.3	75.2	77.9	81.0	84.3	...	51.0
Mean number of members:												4.73
0-9yr. old	-	0.11	0.44	0.77	1.05	1.29	1.48	1.61	1.79	1.98	...	0.89
10-24yr. old	0.20	0.69	1.06	1.46	1.90	2.47	3.07	3.68	4.25	4.80	...	1.94
25-64yr. old	0.71	1.10	1.39	1.65	1.91	2.10	2.31	2.56	2.77	3.01	...	1.77
65+yr. old	0.09	0.11	0.11	0.12	0.13	0.14	0.15	0.15	0.19	0.21	...	0.13
10+yr. old	1.00	1.89	2.56	3.23	3.95	4.71	5.52	6.39	7.21	8.02	...	3.84
0-9yr. old (b)	-	1.00	1.08	1.38	1.64	1.81	1.96	2.07	2.21	2.35	...	1.74
Members by age groups (%):												
0-9yr. old	-	5.3	14.6	19.2	21.0	21.5	21.1	20.2	19.9	19.8	...	18.8
10-24yr. old	19.5	34.4	35.4	36.6	38.1	41.2	43.8	46.0	47.2	48.0	...	41.0
25-64yr. old	71.1	54.9	46.3	41.2	38.2	35.0	33.0	31.9	30.7	30.1	...	37.5
65+yr. old	9.4	5.4	3.8	3.0	2.7	2.3	2.1	1.9	2.1	2.1	...	2.8
10+yr. old	100.0	94.7	85.4	80.8	79.0	78.5	78.9	79.8	80.1	80.2	...	81.2
0-9yr. old (b)	-	50.0	36.0	34.5	32.9	30.2	28.0	25.9	24.6	23.5	...	29.1

(a) Totals are computed for household size 1-10 in structural analysis and mean numbers.

(b) In households with children aged less than 10 years.

Source: own elaboration on CSA data.

#### 5.4.2 Household size, work, and unemployment

The importance of the household in determining economic activity was already mentioned in the first section of this chapter where the effects of marital status and the kinship relation to the head of household on economic activity were discussed. For the capital city (only urban part) an attempt is made to analyse economic activity in the household perspective. To integrate aspects of economic activity and household or family aspects we focus the analysis on the size of the household only considering the households with less than eleven members. In Figure 5.12 we show the mean distribution of household members by their work and non-work status according to the size of household in which they live.

Labour-force participation rates decline with the increase of household size. The highest value – as expected because of their subsistence needs – is observed for singles, with 60.8 per cent employed and 16.8 per cent seeking work. In two- and three-person households more than half of the components are in the labour market, but in those formed by more than five members labour-force participation levels off at about 40 per cent, letting the remaining members out of the labour market, either because too young (about 20 per cent children aged less than ten years), or anyway non-active (about 40 per cent). The gross economic dependency ratio in these larger households is hence non-active members for every two in the labour market, either currently working or seeking work.

The percentage of unemployed members increases only slightly with the household size: it is always around 16 per cent out of total members and 17÷22 per cent out of the adult members. In our opinion, along with the widespread presence of the unemployment problem in the 1994 Addis Ababa society, this proves that there is something like a threshold for the ‘sustainability’ of the job-seekers in the households regardless their size.

**Figure 5.12 – Work and non-work status of household members by household size: urban Addis Ababa, 1994**



### 5.4.3 Working and non-working status of the household members aged 10-24 years

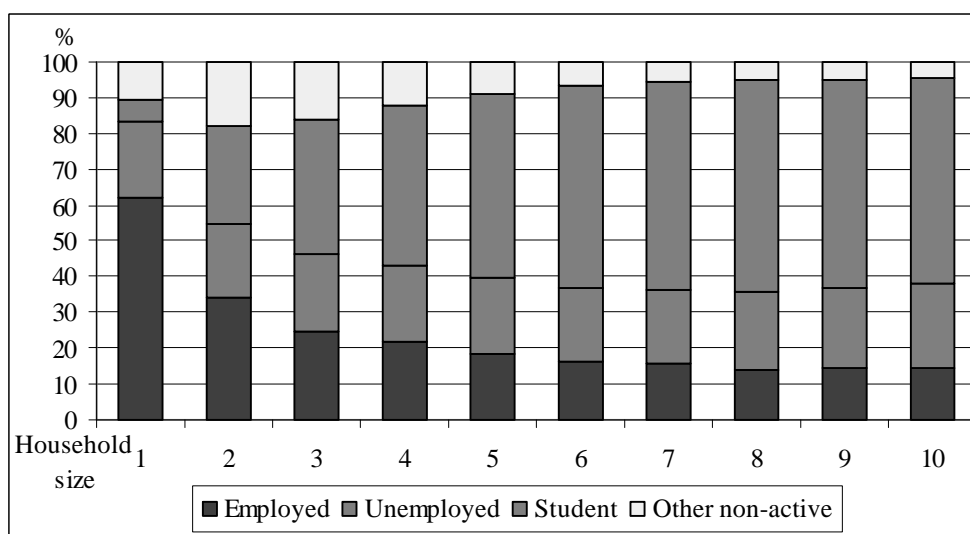
On the average, 41 per cent of the household members was 10-24-year-old in 1994 urban Addis Ababa. This quota goes from more than one third to a little less than half passing from the two-person households to the ten-person ones. Their huge presence corresponds either to the households formed only by young people in a very young population, or to the co-residence of young people in older households, especially children of the nucleus/i which form the household. The households formed only by young people are 4 per cent of the overall households here considered, 19.5 per cent of the one-person households, and 11.5 per cent of the two-person ones. Households in which 10-24-year-old members are present together with older members are 74.4 per cent of the total.

Apart in one- or two-person households, the employment rate is limited among these younger household members, 18.2 per cent on average (Figure 5.13). The quota of unemployment is about 20 per cent among them in every household size: we find only slightly higher rates in the larger households, probably because of their lower social and economic condition.

Because of the young age of the persons we are dealing with, students might form a large part of them: actually, they are more than half, on the average, their quota rapidly increasing with the household size from 38 per cent in the three-person households up to 59 per cent in the eight-person ones, than slightly declining. It is also interesting to note that the proportion of students among the 10-24-year-old members peaks to more than 80 per cent in the households where the youngsters are four/six and there are at least three other members in older age. Considering the large size of households and the number of their young members the investment in human capital seems remarkable. It also confirms the necessity of a sufficient number of older member who can support that investment, most probably by their work activity. Even if in this age group the borderline between 'student', 'other non active', and 'seeking work' is very fluid and imprecise, the fact remains that many households allow the youngsters to 'look around': it is a different question whether this is a real way to improve their marketable knowledge or only a time-spending period while waiting for the suitable, hoped job.

Other non-active conditions are negligible but in the smaller, more traditional households, where young wives may be homemakers: in fact, the proportion of other non-active members reaches its maximum – about one fifth – among the 10-24 members in the two- and three-person households where the youngsters are only one alone.

**Figure 5.13 – Work and non-work status of household members aged 10-24 years, by household size: urban Addis Ababa, 1994**



#### 5.4.4 Working and non-working status of the household members aged 25-64 years

Almost all the households – 92.3 per cent – have members in the central age group, while about 12 per cent of them are formed only by members 24-64-year-old (71 per cent of the singles and 30 per cent of the two-person households).

The central role of bread-winner carried out by these members is fully confirmed in the analysis of their working status (Figure 5.14). Only in the households with more than six members the proportion of the employed ones is slightly under half of the total number of adults. Unemployment affects 18 per cent of them, on the average, slowly increasing with the household size. The quota of homemakers is about one fourth in the larger households: only in the smaller ones, with one/three persons, it is lower because of the necessity for most of the adult members to contribute to the household necessities through work or to try to find a job.

**Figure 5.14 – Work and non-work status of household members aged 25-64 years, by household size: urban Addis Ababa, 1994**



#### 5.4.5 Working and non-working status of the household members aged 65 years and over

There were very few households formed only by elderly members aged 65 years and over in urban Addis Ababa in 1994: 1.1 per cent out of the total households up to ten components, but 15.5 per cent in the one-person households. Therefore, most of the elderly population living in conventional households was shared in more complex households (11.9 per cent of the total households sized two/ten members), in which there were mainly only one member older than 64 years (10.7 per cent) or two (1.1 per cent). The proportion of households in which also elderly members were living clearly increases as the household size increases.

Inactivity was the most common condition in this population (Figure 5.15), even in the households formed only by elderly members. Most of the household members aged 65 years and over were reported as retired (47 per cent, on the average, with a proportion increasing with the household size), but we do not know whether they were really pensioners or just people who gave their preceding labour activity up. About an additional 28 per cent was reported in other non-active conditions, with a proportion slightly decreasing when passing from the two-person households to the larger ones. Employment and seeking work of the elderly members – on the contrary – are conditions quite non-affected by the size of the household in which they were living: employment rate was everywhere under 20 per cent and unemployment under 10 per cent.

**Figure 5.15 – Work and non-work status of household members aged 65 years and over, by household size: urban Addis Ababa, 1994**



#### 5.4.6 Large households for solidarity and investment?

This brief analysis, though confined to the urban part of Addis Ababa – which, however, probably contains the most advanced social pattern in Ethiopia – confirms the central role that the household has in work and non-work strategies of their members. The size of the household and, more likely, its internal composition seem to be key-factors in sustaining deprived or at risk members and in investing in human capital to improve the future well-being of their children.

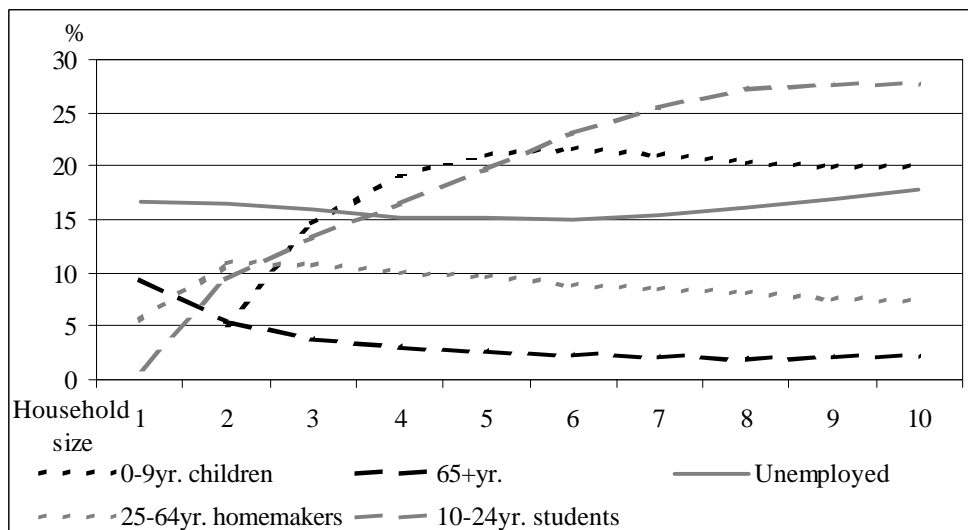
In Figure 5.16<sup>28</sup> we summarized the incidence of some specific non-active statuses in the 1994 Addis Ababa households according to their overall size. The number of babies, inactive elderly members, members seeking work, adult homemakers, and students aged 10-24 years who were living in the differently sized households is related to the corresponding total number of their

<sup>28</sup> For clarity sake both in Figure 5.16 and 5.17 lines are used instead of the more correct histograms.



members, so that the reported percentages can be interpreted as the mean incidence of those non-work statuses in the standard household of each size. This incidence could be very different in real households, in which those kinds of members seldom live all together. Anyway, the total incidence of these non-working members was two out of three in the overall average and it asymptotically went from a little less than one third in the one-person households<sup>29</sup> up to three fourth in the ten-member ones.

**Figure 5.16 – Incidence of household members of specific non-active statuses, by household size: urban Addis Ababa, 1994**



Smaller households (with one or two members) are to be considered separately because of their particular shape (e.g., single elderly, retired person) and the strong push to being in the labour market, either employed or seeking work, that all their members receive from the necessity of gaining for the household survival: this might explain the high presence of members who were searching for a job. The non-negligible presence of young students and adult homemakers in the two-person households should correspond respectively to some one-parent households and newly formed couples so relatively well-off to allow either the child to go on studying or the wife to remain economically inactive. Actually, the same fact that they could afford to live by their own, in such small households, in a general pattern where the average household size was 4.7, might suggest their better economic well-being.

The presence of children 0-9-year-old increased with the household size peaking in the six-member household. While its increase nearly reproduces the growth of the offspring of young families in a still quite high fertility pattern, its decrease in larger households probably comes from their higher complexity, since they are formed by more than one family nucleus or, anyway, they have members associated to the main nucleus.

Elderly inactive members were quite fairly equally distributed in the larger households so that their incidence is about the same: 1.5÷2.0 per cent. The sustainability of elderly population seems to be not yet a huge problem for the household economy, as well as for the Ethiopian society. Nevertheless, we must be aware that increasing challenges will come from that side to both the households and the society as a whole in a relatively short time, due to the ageing of the larger cohorts which are now in the adult age.

<sup>29</sup> In the small-sized households (e.g., one- or two-persons) these average values may be particularly counterintuitive because of the sharing of the different statuses on few members who, clearly, can have only one at a time.

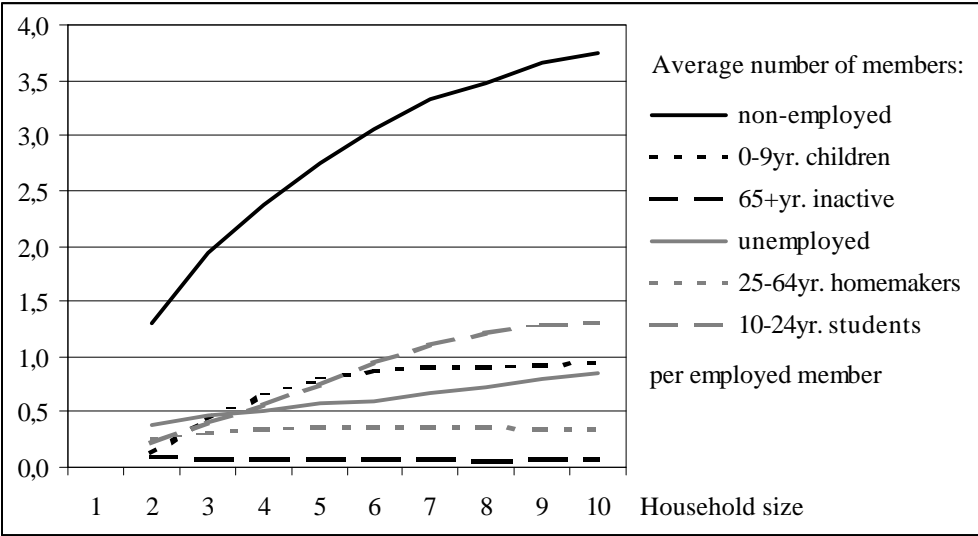
Adult homemakers, predominantly women, decreased in proportion as the size of the household increases. However, their maximum relative presence, in the two-member households, was low (10.9 per cent) and their reducing pace was limited, so that they were still 7.3 per cent of the ten members in the largest households here considered. The urging economic necessities of the household did not allow letting many of their adult members inactive, although committed in the household up-keeping. We can guess that the poor socio-economic condition of many households obliged the woman to fulfil the household tasks as well as low level jobs in order to supplement the household budget.

Those necessities seem to increase in the larger households where the presence of homemakers increases while the quota of unemployed members increases, especially in the case of households with seven members and more. The likely lower socio-economic level of those large households should be considered, so that more adult members were pushed into the labour market. Moreover, these trends are partially explained by the composition of large households, which probably are formed also by members external to the main family nucleus, who joined the household because of housing problems after their immigration in the city for job-seeking or studying.

In fact, also the presence of 10-24-year-old members who were classified as students is linearly growing from the two- to the eight-member households. As we noted before, when we also consider the increasing number of this age-group in the households the percentage of students reaches its maximum just at size eight. Anyway, the increasing trend in the presence of students as the household enlarges points out the solidarity existing there in the larger households and the investment in human capital that also the large households try to do in the hope of an easier and higher entrance into the labour market and future improvement of their well-being.

The average net burden of the non-employed members (i.e.: children, non-active adults, unemployed members, and elderly non active members) for each employed member was 2.7 on the overall average, while ratios asymptotically increased from 1.3 to 3.7 along with the household size (Figure 5.17)<sup>30</sup>.

**Figure 5.17 – Net economic dependency ratio per employed member by household size: urban Addis Ababa, 1994**



<sup>30</sup> The one-person households are not considered here because their particular shape is not comparable with larger households.

If we limit this ratio to the members aged ten years and over the average net burden drops to 2.0 and the upward trend is more linear according to the household size. There seems to be no economic convenience in enlarging the households, since the adult burden rapidly increases, while the children burden levels off at about one child per employed member. In fact, additional members aged ten years and over are more likely to be out of work – unemployed or inactive – than employed.

However, this may also be interpreted as the increasing capacity of sustaining non-working members – job-seekers, students, homemakers, disabled persons, etc. – by the larger households. For instance, the burden of job-seekers per employed member linearly doubles from 0.38 in the two-person households to 0.85 in the ten-member ones. Anyhow, this increasing capacity progressively slacks as the number of household members grows.

The solidarity which characterizes rural households sharing internal and external duties as well as benefits among all their members is not lost in the urban setting. Only specialization is added, which assigns specific tasks to each member. These tasks can be either immediately profitable and income-earning, or aimed to the household up-keeping, or projected towards future improvements of the well-being, as investments in schooling and education of young family members are. This fact introduces a long-time planning view which cannot be present in rural households. However, the strategy is not much different in dimensioning the household: in fact, large and complex households can better differentiate and face possible difficulties. The urban population in more disadvantaged socio-economic conditions often carries out this strategy, so that cohabitation is not only a temporary solution to housing problems, but an effective way to increase the economic security and chances for all household members.

The population living in urban Addis Ababa largely follows this model. The reduced proportion of nuclear households (about one out of three, also considering the one-person ones) shows the difficulties in managing those security/investment strategies in small households, unless the breadwinner enjoys an adequate income and labour position. For the vast majority this is not yet the case: for them sharing assets and opportunities seems the only way to face present difficulties and to invest in the future.



## Chapter 6

### Work and Unemployment in Selected Urban Centres

#### 6.1 Introduction

The population of Ethiopia is one of the fastest growing of the world. At the same time Ethiopia is a predominantly rural nation where almost 85 percent of the population live in rural areas and only 15 percent of the population is residing in an urban setting<sup>31</sup>. This general observation has its repercussions at the regional and local level. Ethiopia has a single primate city, Addis Ababa with a population of 2.1 million inhabitants that constitute by itself about one-third of the total urban population of the country. Other important and fast growing cities are Dire Dawa, Bahir Dar, Nazret, Awasa and Mekele. There are also a number of medium sized towns and smaller urban centres. However, the majority of the smaller towns with a population of less than 20,000 inhabitants are usually dominated by a socio-economic structure with predominantly rural features.

The aim followed in this chapter is to underline the important geographic variability of labour market features in Ethiopia. By no means it seems sufficient to study *the* rural or *the* urban labour market, but it is necessary to analyse the natural, as well as socio-demographic and socio-economic conditions at local and regional level, which influence the labour market potentials and the functioning of the labour market.

In section 6.2 some important economic traits of the urban centres are reviewed to facilitate the understanding of the different conditions of the Ethiopian local labour markets in the urban setting. As already mentioned and underlined repeatedly census data can only contribute partially to the development of a complete picture of the real labour market. And, as this was the case in earlier chapters, data reported here refer only to the *official* part of the Ethiopian economy. The following description is based on the key assumption that the statistical data reported in the 1994 census are significant and do not have any regional or local bias.

Section 6.3 focuses on the labour market trends between the last two census dates 1984 and 1994. As mentioned earlier, during these ten years Ethiopia experienced drastic changes in the political, administrative and economic fields.

The last section of this chapter focuses on the labour market situation in 1994 confronting crude and age-standardised measures of economic activity and unemployment and discussing a variety of local conditions.

#### 6.2 Geo-economics of urban centres of Ethiopia

The long history of urban Ethiopia is characterised by the absence of a permanent place as capital city for the country, until Addis Ababa became the permanent seat of the national administration about one hundred years ago. The important towns of Ethiopia grew essentially because of their importance as centres to perform political and military control over an area.

Historically Ethiopia was a feudal society with considerable power located at a regional and local level. Thus, the basis of the development of larger urban centres in the pre-twentieth century Ethiopia was rather based on administrative, political and strategic considerations, than economic ones.

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<sup>31</sup> Urban areas are defined in the 1994 census as localities in which an urban Kebele administration exists or as localities with at least 1,000 inhabitants primarily engaged in non agricultural activities.

During the period of the Italian occupation of Ethiopia (1936-1941), some of the urban centres experienced an accelerated development. This period is a period of relative modernisation with the introduction of manufacturing and the spreading of services (hotels, restaurants, bars, as well as shops and public infrastructure facilities) helped by the construction of a basic network of roads. During this period the development of the system of transportation and communication and the economic development motivated many people to move from rural areas to the urban centres. Nevertheless, in Ethiopia the process of urbanisation has not been associated with a process of industrialisation.

In a country with an economy dominated by agriculture central places serve as market places for agricultural products, as well as materials and tools to assure or improve agricultural production. The cost of transportation and the means of transportation determine the ranges of these agricultural market places. These factors caused the development of a settlement structure dominated by small urban centres. The local conditions and system of agricultural production are determining the spacing of these central places serving the agricultural economy. The number of higher order urban centres is very limited due to the predominance of agriculture and the high costs of transportation, which is partly due to the Ethiopian topography and the lack of infrastructure. In fact, Ethiopia has a very low road density and the development of the all-weather road network is one of the priorities of the federal government.

Today (1994) Ethiopia counts just four urban centres with more than 100,000 inhabitants: Addis Ababa (2,072,000), Dire Dawa (162,000), Nazret (127,000) and Gondar (112,000). The towns of Mekele, Dessie, Bahir Dar, Jimma, Harar, Debreziet, Awasa, Jijjiga and Shashemene have all more than 50,000 inhabitants.

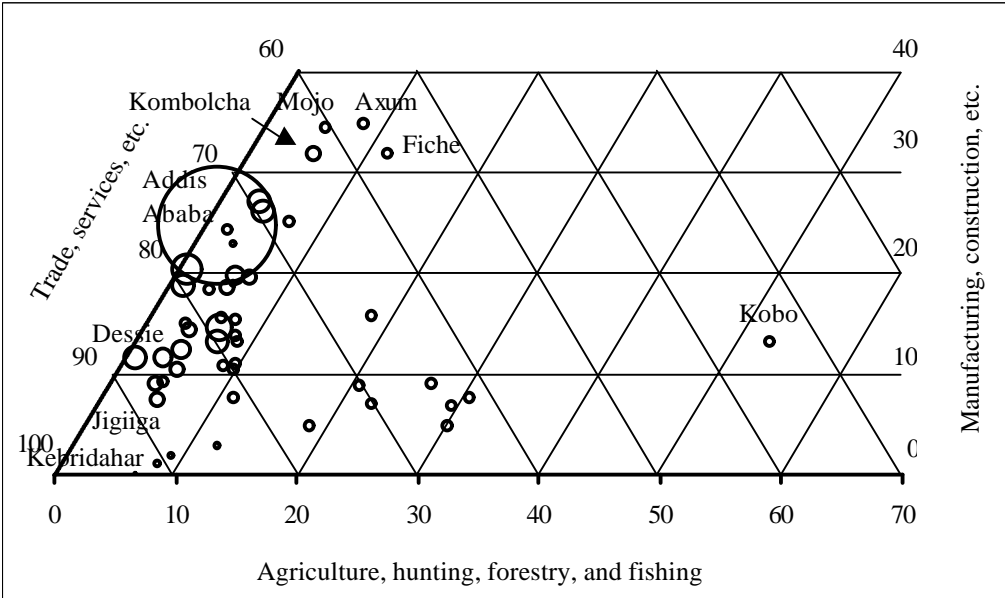
The following part intends to explain the economic and demographic importance of larger Ethiopian towns by referring to the economic structures and conditions of the towns, as well as to their position in the administrative structure of Ethiopia. The attempt is made to convey the importance of the geographic position, the history and actual socio-economic trends in producing a highly diversified geo-economic picture of Ethiopian towns. These differences are leading to very diverse labour market situations: Members of a household active in the agricultural sector have – *ceteris paribus* – higher activity rates and lower unemployment rates. Whereas the importance of the manufacturing sector could be an indication of a process of modernisation taking hold in a town. The discussion of the regional administrative structure highlights one specific aspect of the tertiary sector: the public administration employees.

In the beginning of the 1990s Ethiopia experienced the transition from a planned economy to a market economy with emphasis on private initiative. The national government maintains control of only a few sectors and some large enterprises. Today, important sectors of manufacturing are cement, textiles and food processing. Manufacturing in Ethiopia is still very much done in small artisan shops and the manufacturing of textiles and household utensils in factories is a relatively recent phenomenon. Several professions, like for example blacksmith and tailor, which should have been the impetus for the development of micro enterprises, have been hindered due to cultural taboos that prevailed for a long time in the country and which continue to be of importance today.

In 1994 some cities counted more than 30 per cent of the employed inhabitants in manufacturing: Axum, Mojo, Fiche and Kombolcha (Figure 6.1). Followed by a group of towns with a still important manufacturing sector: Gondar, Bahir Dar, Sodo, Addis Ababa, Debre Berhan and Adwa. All these towns are situated close to the major roads in the central and northern part of the country. Manufacturing is close to non-existing in the Somali towns of Dor Weaji, Kebridanar, Degehabur and Awbere, as well as Negele, Jijjiga and Gode. Activity in the agricultural sector is important (above 20 per cent) in Kobo, with just above 20,000 inhabitants, and Butaira, Kibremengist, Meki, Arsi Negele, Yirgalem and Hosaena, towns which are all – with the

exception of Kobo, located in the Southern part of the country. Road infrastructure plays an important role as a factor of socio-economic development. In Ethiopia, passenger and commercial traffic is concentrated on roads. Towns with good access to the national road network have an economic advantage. Apart from Addis Ababa, the faster growing cities and towns are linked through the existing road network, and the most dynamic towns are close to important intersections. Some of these fast growing and economically expanding towns with a favourable strategic and geographic position are the towns of Bahir Dar, Dire Dawa, Kombolcha, Nazret, Debreziet, and Shashemene. Specifically, the towns of Shashemene, Kombolcha, and Nazret are all centres connecting various administratively and commercially important areas or regions. For instance, Shashemene is the gateway and centre of the southern part of the cash crop areas; Kombolcha is a passage and connecting point for journeys from all parts of the country to the port of Assab. Nazret is close to Addis Ababa and is the centre for commercial and administrative journeys to the central, southern and southeastern parts of the country.

**Figure 6.1 – Towns according the industry of their economically active population: 1994**



N.B.: The graph represents the Ethiopian towns in a triangular scatter (shown only partially in the figure), according to the share of their economically active population in the three traditional sectors. The values of the 1<sup>st</sup> sector are to be read on the basis using the upward diagonals; the values of the 2<sup>nd</sup> sector are on the straight horizontal lines; and the values of the 3<sup>rd</sup> sector are reported on the left axis by the downward diagonals. The circle representing each town is proportional to the amount of its economically active population.

Apart from the economic structure, the position of a town in the federal administrative structure plays a fundamental role in determining the local labour market potential. Changes and rearrangements in the administrative hierarchy cause the emergence of new administrative cities and the modification of the role of existing cities. In Ethiopia, where cities are traditionally emerging following the administrative structure rather than the force of markets, the impact of changes in the administrative structure on the growth of towns cannot be underestimated. Major changes in the Ethiopian government administration system occurred in the last decade, causing a shift from the centrally organised public administration to a more federal, decentralised administration. This shift created new regional centres with important economic, social, political and administrative functions. These shifts in the administrative organisation forced public

employees to move to the newly emerging settlements in the short-term, and affect the location choices of people looking for business opportunities in the long-term.

Prior to 1987, excluding the two regions of Assab and Eritrea which later formed independent Eritrea, Ethiopia was divided into 14 administrative regions. The 1987 constitution, which made Ethiopia a republic, created 29 regions. But in 1991 the Transitional Government of Ethiopia created 9 autonomous regions based on ethnic identity, and 2 multiethnic chartered cities Addis Ababa and Dire Dawa<sup>32</sup>. Regions are subdivided into Zones and Weredas and have executive, legislative and judicial authority over regional affairs.

The towns which have served as regional capitals in the centrally organised administrative structure that prevailed until 1987 are Arba Minch, Asela, Awasa, Debre Markos, Dessie, Goba, Gonder, Harar, Jimma, Mekele, and Nekemte (Prospect 6.1).

**Prospect 6.1 – Historical provinces and capitals**

<i>Region</i>	<i>Capital</i>
Arssi	Asela
Bale	Goba
Gondar	Gondar
Gamo Goffa	Arba Minch
Gojjam	Debre Markos
Hararge	Harar
Illubabor	Metu
Kefa	Jimma
Shewa	Nazret
Sidamo	Awasa
Tigray	Mekele
Wellega	Nekemte
Wello	Dessie
Addis Ababa	Addis Ababa

With the reform in 1991 some towns were promoted to regional capital and others lost part of their administrative function (Prospect 6.2). Asayita, Asosa, Bahir Dar, Gambella and Jijiga are now regional capitals, while Asela, Debre Markos, Dessie, Goba, Gonder, Jimma, and Nekemte lost their status as provincial capital.

**Prospect 6.2 – Regions and capitals since 1991**

<i>Region</i>	<i>Capital</i>
Tigray	Mekele
Affar	Asayita
Amhara	Bahir Dar
Oromiya	Addis Ababa
Somali	Jijiga
Benishangul-Gumuz	Asosa
Southern Nations, Nationalities and Peoples	Awasa
Gambella	Gambella
Harari	Harar
Addis Ababa	Addis Ababa
Dire Dawa provisional administration	Dire Dawa

<sup>32</sup> This new federal structure was put into practice by the transition government administration in the middle of 1991, but formalised only through the constitution of 1995.



All the towns that left the regional capital level, however, retained the function of capital of a zone. Dire Dawa, located on the Ethio-Djibouti railroad line, which gives it the advantage to benefit from commercial activities, became the capital of one of the federal administrative councils. Bahir Dar, now capital of the Amhara region, will continue to retain its function as a base for tourists visiting the Blue Nile and Lake Tana. On the other hand, Asayita, Asosa, Gambella and Jijiga are rather small towns and the status of regional capital will provide a stimulus for growth, directly through the building of an administrative infrastructure and indirectly. Being a regional capital entitles the cities to various infrastructure development programs like, electrification and improvement of road networks, of telephone systems and of other communication services vital to the development of the towns.

It was not the purpose of these paragraphs to give a detailed description of the geo-economic situation of Ethiopian towns, but to describe several common traits and elements that are essential for the economic life and the local labour markets of Ethiopian towns. There is no definitive answer regarding the presence or absence of a bias in the census data regarding the sector of economic activity. The complete absence of manufacturing and construction in most towns of Somali region could be an indication of some cultural bias hidden in the data.

### *6.3 Changes in labour-force participation and unemployment in selected urban centres, 1984-1994*

The analysis of local labour market dynamics during the period 1984 to 1994 – the 10 year period between the last two census – was done for a sample of urban centres to reduce the amount of 1984 data to be retrieved. All towns with more than 50,000 inhabitants were included, as well as some selected towns in the 20,000 to 50,000 bracket, and all capital cities of the regions, following the present administrative organisation of the country. There is a widespread geographical dispersion of cities in Ethiopia. Apart from the regional capital, most regions have a number of medium and small sized urban centres. However, in the newly created regions, like Affar, Somali, Benishanguel-Gumuz and Gambella there are no towns that correspond to the medium sized towns that we find in the central highlands. In all cases the regional capitals are the centres for the political and administrative, as well as economic activities of the respective regions. This is the reasoning behind their inclusion in the sample.

The population and labour force growth rates 1984 to 1994 for the selected urban centres are given in Table 6.1. High disparities in the level of growth of the population in the ten-year interval are observed. Population growth varied between 3.0 percent in Debre Markos and 14.5 percent in Gambella. Asosa (11.3 percent) has also a high level followed by Jijiga (9.0 percent). Harar (3.1 percent) is growing relatively slowly, as well as Dessie and Debreziet (both 3.9 percent). The three towns with the highest growth are the new emerging regional capitals, while growth is lower in the old towns that have been regional capitals for a long time. Addis Ababa (4.7 percent) has a growth rate slightly below the average level of the selected towns.

Similar variations are observed regarding the growth of the labour force of the selected urban centres. High growth rates of the labour force are observed in the three towns that have high population growth rates, that is, the towns of Asosa (13.9 percent), Gambella (13.7 percent) and Jijiga (10.3 percent). On the other hand, low growth rates were observed in Debreziet (4.7 percent), Dilla (4.7 percent) and Debre Markos (5.1 percent). With the exception of the four towns of Adigrat, Asayita, Gambella and Kombolcha, in all remaining selected towns, the level of growth of the labour force is higher than the growth of the population aged 10 years and over.

The labour force participation rate measures to which extent the working age population is economically active. It provides the relative size of the supply of labour available for the production of goods and services in the economy.

**Table 6.1 – Average growth rates of the population aged 10 years and over and of the labour force for selected urban centres: 1984-1994**

<i>Selected urban centres</i>	<i>Growth rate (in percent)</i>	
	<i>10+ys population</i>	<i>Labour Force</i>
All selected urban centres	5.16	6.53
Addis Ababa	4.74	6.15
Adigrat	6.57	6.22
Arba Minch	7.80	10.11
Asayita	7.57	7.45
Asela	4.59	6.76
Asosa	11.30	13.92
Awasa	6.90	8.29
Axum	5.07	6.15
Bahir Dar	6.41	7.01
Debre Berhan	4.75	6.35
Debre Markos	2.97	5.13
Debreziet	3.92	4.70
Dessie	3.89	5.58
Dilla	4.56	4.71
Dire Dawa	5.40	6.56
Endasellasie	7.55	7.84
Gambella	14.45	13.65
Goba	3.19	6.47
Gondar	4.31	5.86
Harar	3.08	5.73
Hosaena	7.80	9.15
Jijiga	8.98	10.31
Jimma	4.73	6.50
Kombolcha	7.94	7.48
Mekele	5.15	5.84
Nazret	5.76	6.98
Nekemte	5.63	7.00
Shashemene	5.83	6.21
Sodo	4.68	5.63

*Source:* own elaboration of CSA data.

Geographic variations in the labour-force participation rate (which is an overall indicator of the level of offer on the labour market) are observed among the selected urban areas in both periods. In 1984, the highest rate is 54.3 percent, observed in Asayita, and the lowest is 30.2 percent, observed in Goba (Table 6.2). The local differences persist in 1994 with the highest value of 55.1 percent observed in Dire Dawa and the lowest value of 31 percent observed in Adigrat. Asayita, a relatively small and poor town, has a high activity rate in 1984 and in 1994. Asayita is the capital of Affar region, which is predominantly inhabited by the Affar Ethnic group known for their nomadic lifestyle. But the residents of the town of Asayita are predominantly non-Affar people who immigrated from various parts of Ethiopia. The livelihood of the inhabitants of the town is detached from the surrounding rural area and most inhabitants are engaged in various trade activities. Beyond the doubts on the quality of the data in the region as a whole, which is attributed to the operational difficulties in undertaking the censuses, the high activity rate could be the effect of a smaller number of dependants or relatives in the households. The low level of activity rates observed in Adigrat in both periods can not be explained comparing its level with

the other towns of the Tigray region, like Axum, Endasellasi and Mekele, which have similar geo-economic and administrative structure as well as similar cultural behaviours of inhabitants.

**Table 6.2 – Activity rates by sex for selected urban centres: 1984 and 1994**

<i>Selected urban centres</i>	<i>Activity Rates – 1984</i>			<i>Activity Rates – 1994</i>		
	<i>Total</i>	<i>Male</i>	<i>Female</i>	<i>Total</i>	<i>Male</i>	<i>Female</i>
All selected						
Urban centres	39.8	54.2	28.3	46.0	57.5	35.4
Addis Ababa	45.4	60.6	31.9	52.9	65.0	41.7
Adigrat	32.0	42.2	24.9	31.0	42.2	21.9
Arba Minch	39.7	54.8	26.3	50.5	63.1	38.0
Asayita	54.3	86.9	22.4	54.0	70.9	35.5
Asela	35.3	47.3	25.4	44.4	58.4	32.7
Asosa	39.2	52.0	26.3	52.6	69.3	32.0
Awasa	40.2	56.7	24.9	46.7	61.9	31.2
Axum	39.4	49.9	32.1	44.3	51.0	39.0
Bahir Dar	47.1	54.6	41.2	50.2	56.2	45.0
Debre Berhan	38.8	49.2	30.6	46.0	55.6	37.9
Debre Markos	36.9	48.4	28.2	46.2	52.0	41.5
Debreziet	38.4	54.3	25.6	41.8	53.5	31.4
Dessie	34.3	49.4	23.0	41.1	55.4	29.3
Dilla	44.4	60.1	27.6	45.5	57.6	32.9
Dire Dawa	49.2	63.9	36.3	55.1	64.4	46.4
Endasellasi	38.4	51.2	29.8	39.7	49.8	31.9
Gambella	44.2	62.6	24.1	41.5	57.0	23.5
Goba	30.2	47.0	17.7	41.9	52.4	33.2
Gondar	36.9	48.7	29.3	43.5	48.3	39.7
Harar	34.9	50.1	22.2	45.4	55.5	35.9
Hosaena	40.3	53.6	29.4	46.4	59.7	33.7
Jijiga	41.2	59.5	26.5	46.1	63.1	28.6
Jimma	38.4	53.6	25.1	46.3	58.4	34.7
Kombolcha	48.5	69.5	29.3	46.3	62.9	31.5
Mekele	36.3	48.0	28.5	39.1	49.4	30.4
Nazret	41.3	57.2	27.8	47.4	63.2	32.8
Nekemte	38.5	48.2	29.9	44.5	56.4	33.6
Shashemene	45.5	61.5	31.6	47.5	62.2	33.8
Sodo	39.3	57.3	22.6	43.4	57.9	27.6

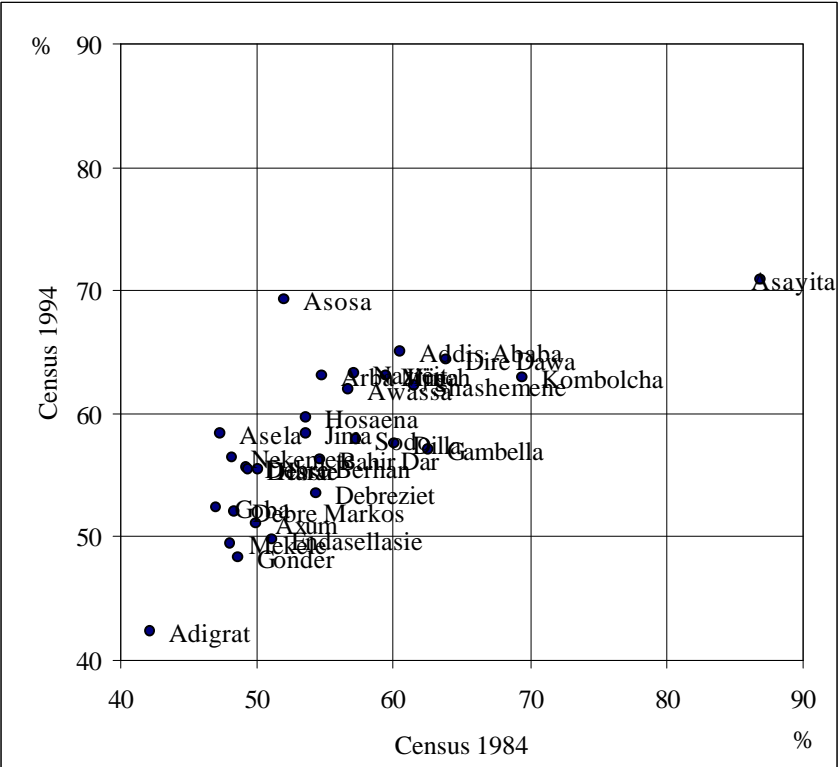
*Source:* own elaboration of CSA data.

The variations in the activity rates by sex reveal similar patterns, where the range between the highest and lowest rates in 1984 is about 44.7 percentage points in the case of male labour-force participation and about 23.5 percentage points in the female activity rates (Figures 6.2 and 6.3). Similarly, in 1994 the range between the highest and the lowest activity rates is 28.7 percentage points for men and 25.3 percentage points for women. In the case of men no dramatic changes in the geographic patterns of labour force participation rates occurred, with the exception of the town of Asayita (important decline) and Asosa (considerable increase). Female activity rates increased in most towns over the period 1984 to 1994.

With the exception of Adigrat, Asayita, Gambella, and Kombolcha, all the selected towns show an increase in activity rates between 1984 and 1994. The highest increase in male activity rates is observed in Asosa with an increase of 17.3 percentage points, followed by Asela (11.1) and Arba

Minch (8.3). While on the contrary, the steepest decline is observed in Asayita, a town with extremely high activity rates in 1994 (16.0 percentage points), followed by Kombolcha (6.6 percentage points) and Gambella (5.6 percentage points). In the case of women, high increases of 10 to 16 percentage points are observed in the following towns: Goba (15.6 percentage points), Harar (13.7), Debre Markos (13.2), Asayita (13.1), Arba Minch (11.7), Gondar (10.4) and Dire Dawa (10.2). The consistently high activity rates in Asayita and the consistently low levels in Adigrat call for further and more detailed investigation.

**Figure 6.2 – Male activity rates for selected urban centres: 1984 and 1994**

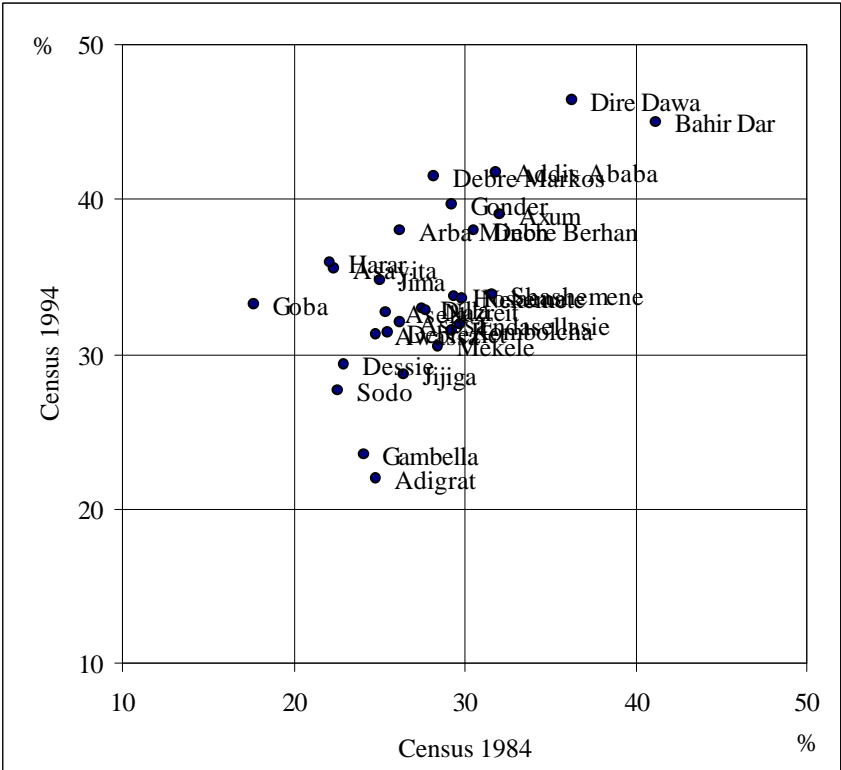


The major concerns when discussing labour markets in developing countries is the problem of unemployment and, linked to it, the problems of economic inequality and poverty. The problem of unemployment in urban labour markets is generally regarded as a result of the mismatch between urbanisation and industrialisation [Seyoum, 1991]. The imbalance between population dynamics and economic growth, is one major factor that causes an increase in the level of unemployment. As work opportunities fail to grow as fast as the urban labour force widespread unemployment prevails. In other words, the problem of unemployment arises in a situation where labour supply exceeds the demand. Unemployment rates also rise when the available skill mix in the labour force is not consistent with the skill mix demanded by the labour market, which is generally a less important preoccupation in developing countries. Creating sufficient job opportunities to eliminate or mitigate the problem of unemployment in urban areas is becoming a formidable task for governments in developing countries.

During the last decades the Ethiopian economy went through deep economic crisis, which had an adverse impact on employment opportunities and living standards of the people. The labour absorption capacity of the modern sector in Ethiopia is very low, while the number of job seekers is growing constantly. High unemployment rates in the country are a manifestation of an ineffective utilisation of available manpower, slow economic growth, and a poor educational

system. Currently, there is a high and ever growing demand for employment opportunities in the country that far exceeds the supply.

**Figure 6.3 – Female activity rates for selected urban centres: 1984 and 1994**



The level of unemployment of urban Ethiopia increased dramatically between 1984 to 1994 and thereafter. The total urban unemployment rate reported in the two censuses and in the 1999 National Labour Force Survey are 7.9 percent, 22.0 percent and 26.4 percent respectively. As already discussed in chapter 4, there is a relation between the outcomes of the labour market situation – economic activity and unemployment – in the years 1984 and 1994 and the changes in the economic system. The labour market in the 1980s has been lead by the socialist economic policy that targeted to insure equal work opportunities for all people which resulted in a low levels of unemployment, even if not in real terms. On the other hand, the 1990s are marked by the introduction of a free-market oriented economic system that determines the level of employment and unemployment on the basis of supply and demand.

Table 6.3 reports data on unemployment for the selected urban centres for the years 1984 and 1994. Even though the level of unemployment in general is low in 1984, a wide variation among the selected towns is observed. For instance, the highest and lowest unemployment rates are 17.6 percent in Adigrat and 1.7 percent in Asosa. In only five urban centres the rate was over 10.0 percent.

The geographic variations in the level of unemployment observed in 1984 among the selected urban centres increased considerably in 1994. The range between the highest and lowest unemployment rates spans from 36.3 percent in Debreziet to 6.8 percent in Endaslassie. The high unemployment in Debreziet is the result of the demobilisation of the military in 1991, because the town is the base for the Ethiopian Air Force. The low levels of unemployment in Endaslassie and Axum, is the short-term outcome of the special economic recovery programme that was directed towards regions affected by the extended civil war which prevailed in the northern part

of the country for about two decades. However, this comment can not be generalised for all war-affected areas since Adigrat, another town in the Tigray region, has continued to have high levels of unemployment.

**Table 6.3 – Unemployment rates by sex for selected urban centres: 1984 and 1994**

<i>Selected Urban centres</i>	<i>Unemployment Rates - 1984</i>			<i>Unemployment Rates - 1994</i>		
	<i>Total</i>	<i>Male</i>	<i>Female</i>	<i>Total</i>	<i>Male</i>	<i>Female</i>
All selected urban centres	7.6	6.5	9.3	23.9	22.5	26.0
Addis Ababa	10.5	8.2	14.3	35.1	30.7	41.5
Adigrat	17.6	10.6	25.9	20.2	20.9	19.0
Arba Minch	7.0	6.8	7.4	16.7	19.4	12.1
Asayita	8.2	7.9	9.5	11.1	10.2	13.1
Asela	5.3	4.9	6.0	27.4	26.9	28.1
Asosa	1.7	1.7	1.7	11.9	11.0	14.6
Awasa	6.3	6.4	5.9	19.3	15.5	27.1
Axum	10.3	7.6	13.2	8.7	8.3	9.1
Bahir Dar	11.4	12.6	10.2	16.2	14.2	18.4
Debre Berhan	3.3	2.5	4.3	28.5	27.1	30.2
Debre Markos	3.9	3.3	4.7	20.0	19.4	20.7
Debreziet	9.1	7.5	11.8	36.3	34.8	38.6
Dessie	6.7	5.5	8.8	25.5	23.8	28.1
Dilla	6.5	6.4	6.5	17.7	16.3	20.2
Dire Dawa	11.1	8.9	14.5	35.3	31.5	40.3
Endasellasi	7.5	7.2	7.7	6.8	7.9	5.5
Gambella	5.2	4.9	6.2	15.6	15.1	17.0
Goba	6.8	5.6	9.2	16.6	14.7	19.1
Gondar	8.1	5.9	10.4	17.2	17.8	16.6
Harar	7.3	5.1	11.5	27.1	25.1	30.0
Hosaena	2.9	2.3	3.8	15.4	15.3	15.5
Jijiga	8.8	8.0	10.1	23.6	28.5	12.3
Jimma	6.7	6.5	7.1	21.2	17.8	26.6
Kombolcha	3.3	2.1	6.0	19.8	18.9	21.4
Mekele	7.6	6.9	8.3	11.6	11.7	11.5
Nazret	7.4	6.2	9.4	29.3	24.8	37.3
Nekemte	3.7	3.4	4.2	19.4	18.0	21.6
Shashemene	5.1	6.1	3.3	25.2	23.6	28.0
Sodo	5.4	5.4	5.4	12.5	12.1	13.3

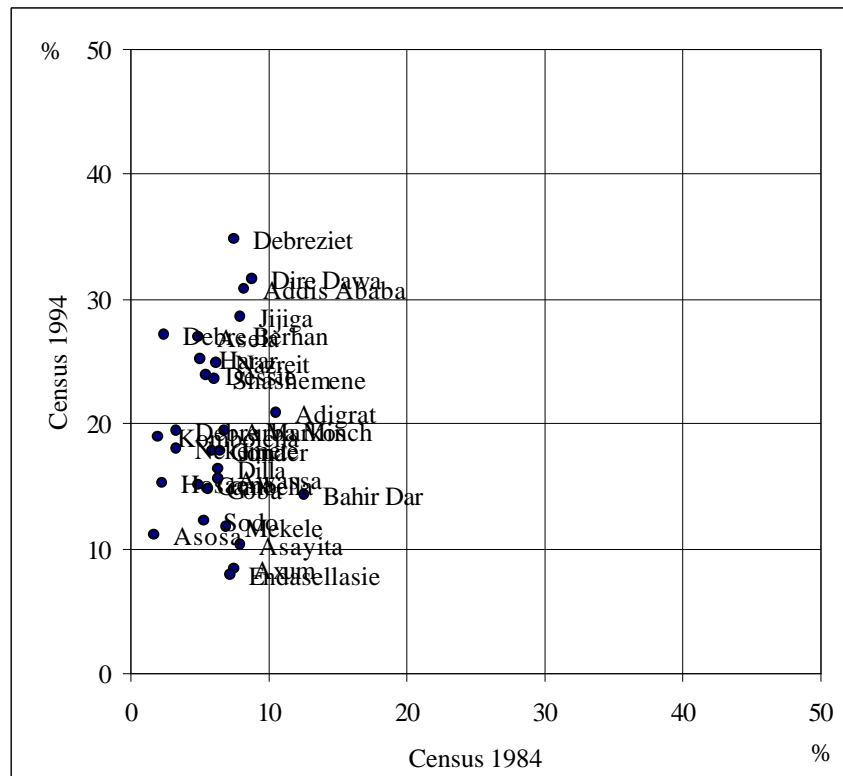
*Source:* own elaboration of CSA data.

Between 1984 and 1994 the geographic pattern of unemployment rates of men and women changed drastically (Figure 6.4 and 6.5). Low levels and relative small variations transformed to high levels and significant geographic differences. It would be naïve to compare the two periods without considering the underlying causes for the differences, that is, the different economic systems that prevailed during the two reference periods.

A sharp increase in the unemployment level is observed in the majority of the towns during the decade. Among the towns the highest increase is observed for Debreziet (27.3 percentage points), followed by Debre Berhan, Dire Dawa, Asela, Nazret and Shashemene, all towns with an increase above 20.0 percentage points. Only in Axum and Endaslasie, both located in Tigray, the 1994 unemployment rates are below the 1984 values. Axum and Endaslasie behaved

differently from Adigrat and Mekele, even if they share a similar cultural and administrative situation and regional policy. Changes in the level of unemployment for men and women follow similar patterns, however, no decline is observed in any of the selected towns for male unemployment rates. In three Tigray towns a decline is observed regarding female unemployment rates.

**Figure 6.4 – Male unemployment rates for selected urban centres: 1984 and 1994**



During the decade 1984 to 1994, in the majority of the selected urban centres women moved towards higher unemployment levels than men. In general terms, female activity in Ethiopia is restricted to household chores, however, the data on unemployment have revealed that they are either looking for jobs or that they are available to the labour market. Even though, in almost all the selected urban centres an increase in the level of unemployment is observed, the variation in the level of increase is considerable.

#### 6.4 Labour-force participation and unemployment in selected urban centres, 1994

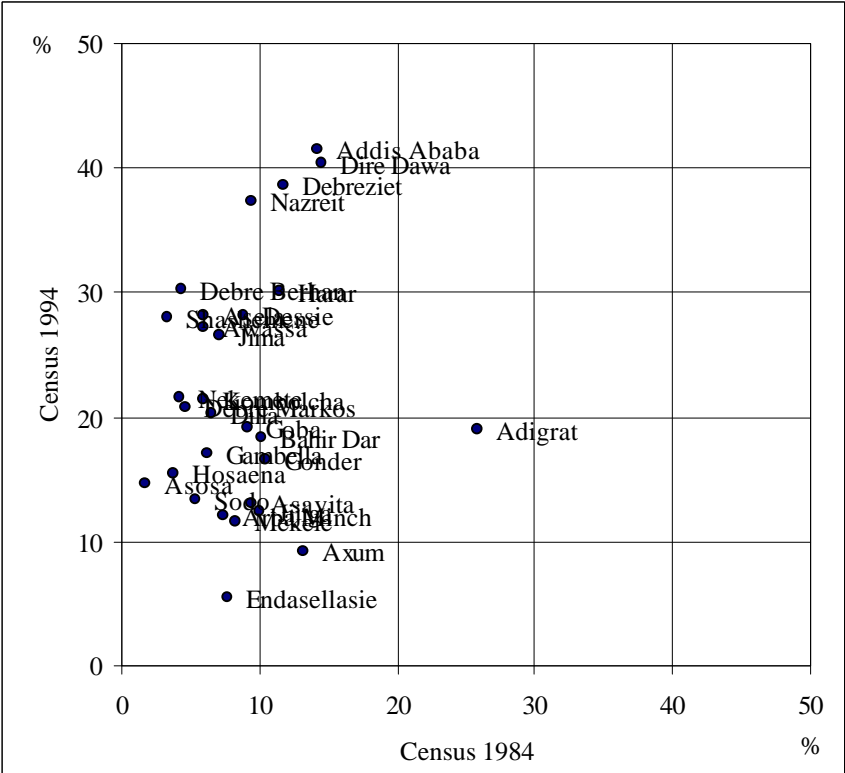
The analysis of local urban labour markets in 1994 is based on all selected urban centres. Again it seems useful to underline that data for the Affar town Assayita and the Somali towns of Degehabur, Gode and Jigjiga are included in this analysis. The information provided for these regions seems seriously biased due to data quality or specific cultural aspects, already discussed in the case of Affar region.

In a first step an age standardisation was introduced in this part to get free of the specific age-pattern of the working age population<sup>33</sup>. Due to this standardisation the predominance of the very

<sup>33</sup> In the direct standardisation the average population structure of the thirty urban centres was used.

young age groups is attenuated. The differences between non-standardised and standardised rates are most marked in the case of men (Table 6.4). Age standardisation increases activity rates considerably, especially in the case of male rates. The increase in the activity rates ranges between 3.6 and 28.9 percentage points for men and between 4.6 and 16.5 for women. In the case of male and female unemployment rates age standardisation brings relative little change to the data and the relative position of the cities, and the geographic pattern is left mostly intact. The range in the case of men is -8.1 to 3.1 percentage points and in the case of women -4.7 to 5.3 percentage points. Standardisation of activity and unemployment rates adds some certainty to the indicators and their geographic comparability. With further changes in the age structure, age standardisation will gain some importance for the inter-temporal comparison of labour market indicators and should be considered in future analysis.

**Figure 6.5 – Female unemployment rates for selected urban centres: 1984 and 1994**



The difference between male and female activity rates, which was already important in the case of the not standardised rates, increases in the case of standardised rates. Whereas female activity rates vary between 12 and 58 percent, male rates vary between 59 and 86 percent. Already the analysis of individual data indicated, that the intensity of labour force participation of men varies less and has a consistently higher level. As figure 6.6 suggests, male and female activity rates do not correlate. Whereas male and female unemployment rates are highly, positively, correlated (Figure 6.7), indicating that the economic structure of a town or its labour market situation affects male and female unemployment to a similar degree. The Ethiopian towns move in a wide range of labour force participation and unemployment. It opens with the Tigray towns of Endaselasie, Axum and Mekele with low activity and unemployment rates for men and women, and closes with Addis Ababa and Dire Dawa and most Somali towns with high activity and unemployment rates for men and women. The relative small regional capitals Asosa, Assayita and Jigjiga have relative low unemployment rates.



**Table 6.4 – Activity and unemployment rates by sex for selected urban centres: 1994**

Urban Centres	Population	Activity Rates				Unemployment Rates			
		Not standardised		Standardised		Not standardised		Standardised	
		Male	Female	Male	Female	Male	Female	Male	Female
Addis Ababa	2,071,882	52,4	34,1	63,6	40,7	30,7	41,5	30,0	40,0
Adigrat	37,356	29,3	16,1	45,3	22,5	20,9	19,0	23,8	21,3
Arba Minch	39,796	47,4	28,4	61,9	38,3	19,4	12,1	20,2	14,1
Asosa	11,700	56,1	22,9	59,8	29,7	10,2	14,6	10,9	14,2
Assayita	12,976	45,3	28,6	61,4	33,2	26,9	13,1	27,8	13,2
Asela	47,203	53,1	26,1	61,6	34,8	10,9	28,1	10,8	30,8
Awasa	68,935	46,5	23,5	60,5	30,7	15,5	27,1	16,2	26,0
Axum	27,054	35,6	29,3	55,9	40,6	8,3	9,1	9,4	12,0
Bahir Dar	95,456	43,0	35,4	56,7	44,8	14,2	18,4	15,7	19,2
Debre Berhan	38,591	43,2	30,2	55,9	39,4	27,1	30,2	28,7	35,5
Debre Markos	49,074	40,7	33,7	56,1	43,5	19,4	20,7	20,0	24,7
Debreziet	73,226	41,9	24,9	52,5	31,7	34,8	38,6	37,9	40,4
Degehabur	30,468	45,2	22,1	74,1	32,3	51,4	50,1	43,3	49,3
Dessie	96,649	42,6	23,4	56,2	30,3	23,8	28,1	26,7	31,6
Dilla	33,344	43,3	24,7	59,5	34,1	16,3	20,2	16,8	23,5
Dire Dawa	161,537	49,4	36,2	60,4	44,1	31,5	40,3	32,0	41,8
Endaselasie	25,221	34,6	23,5	53,6	32,4	7,9	5,5	9,5	6,2
Gambella	18,146	42,6	17,4	52,7	22,7	15,1	17,0	16,8	19,0
Goba	28,317	39,4	26,3	56,4	35,3	14,7	19,1	16,0	22,4
Gode	38,927	37,8	33,4	60,2	49,9	37,6	44,9	31,7	40,2
Gondar	111,606	35,9	31,0	51,8	40,8	17,7	16,6	19,9	19,8
Harari	75,931	45,0	29,5	54,5	35,9	25,1	30,0	26,4	33,3
Hosaena	31,662	43,3	24,8	64,0	35,6	15,3	15,5	15,4	17,0
Jigjiga	52,064	46,2	20,8	62,3	26,3	28,5	12,3	30,3	13,4
Jimma	88,061	45,7	27,5	59,6	35,7	17,8	26,6	18,1	26,7
Kombolcha	39,201	47,0	24,3	59,4	30,6	18,9	21,4	21,7	22,2
Mekele	96,664	35,7	23,0	55,0	32,6	11,7	11,5	13,0	13,4
Nazret	127,101	49,4	26,1	61,9	32,7	24,8	37,2	24,6	37,1
Nekemte	47,100	43,0	25,8	57,7	34,9	18,0	21,6	18,2	23,6
Shashemene	51,744	46,6	25,7	63,9	34,9	23,6	28,0	23,1	29,0
Sodo	36,130	43,6	20,6	59,9	28,9	12,1	13,3	12,1	14,1

Source: own elaboration of CSA data.

The intent of this chapter was to uncover the cultural and economic factors which influence the functioning of the local labour markets. This objective should have been achieved through a geographical, comparative analysis. The result is to a certain degree disappointing since no clear relationship could be individuated. Since the Ethiopians towns vary considerably in population size and because a statistical analysis based on population weighted observations would attribute more than half of the observations to Addis Ababa, in this analysis observations were not weighted. Regarding the cultural factors, it can be observed that towns with a higher percentage of Muslim have significantly higher male activity rates, as well as higher male and female unemployment rates. The percentage of Muslim correlates positively with the percentage of recent migrants living in the towns, indicating a far more complex interaction between cultural differences and the labour market. Among the ethnic groups, only the Tigray show in the statistical analysis a slight tendency towards lower activity rates (males) and lower unemployment rates (females).

Figure 6.6 – Male vs. female activity rates for selected urban centres: Ethiopia, 1994

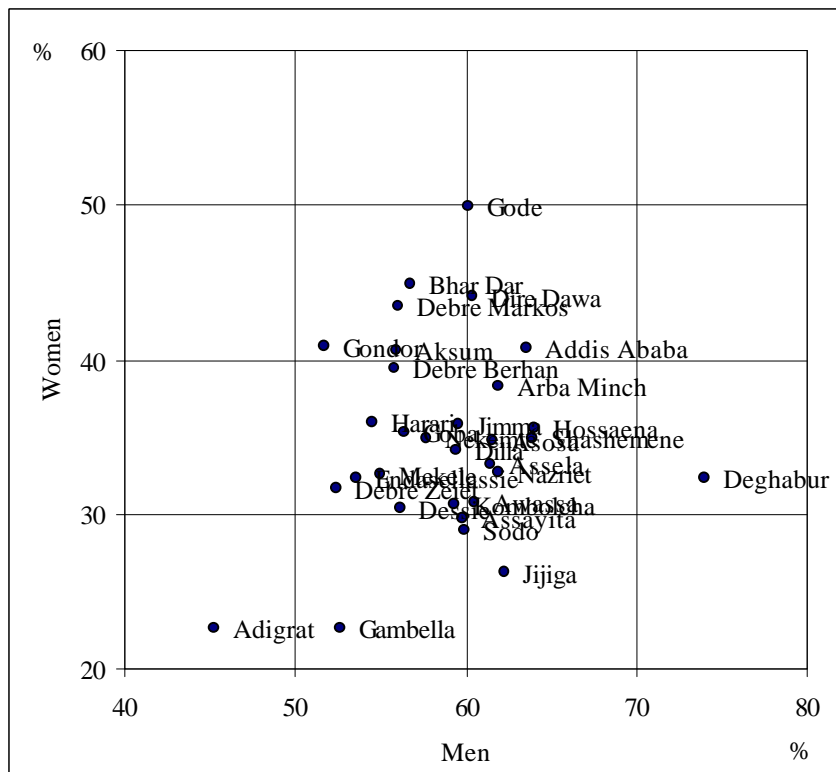
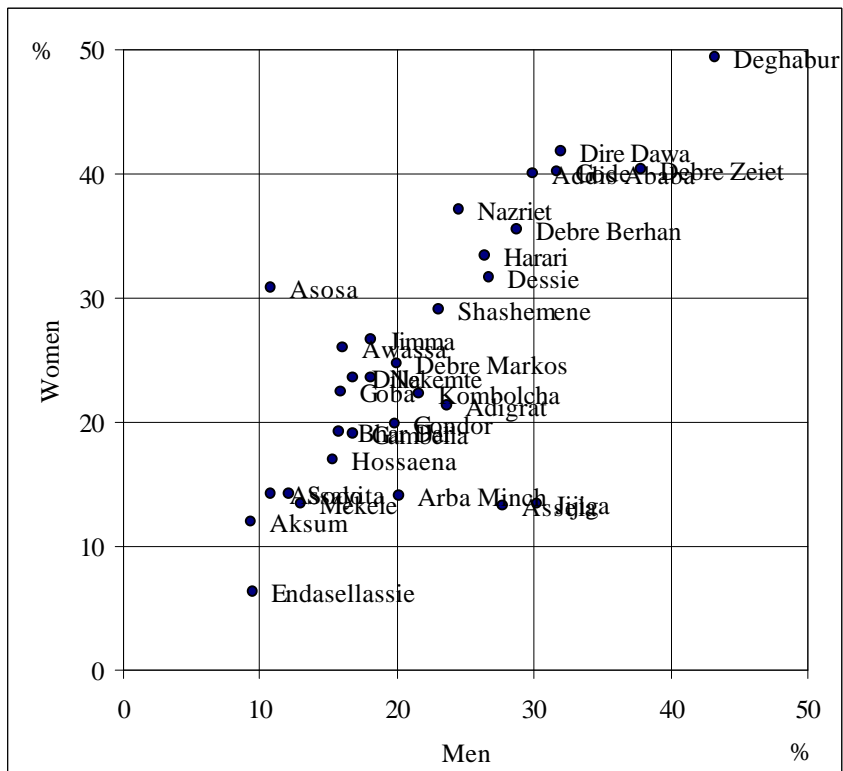


Figure 6.7 – Male vs. female unemployment rates for selected urban centres: Ethiopia, 1994



The importance of the agricultural sector in the town's economy increases male economic activity and lowers unemployment, even if not at significant levels. Another hypothesis tested was the importance of public employment for the situation of the labour market. The tendency can be observed that public employment is lowering economic activity and unemployment, but only the coefficient with female economic activity rates is significant. This could be interpreted in the sense that public employment creates financial security for the household and allows or forces women to be housekeepers. The statistical analysis did not provide any further indications for interpretation of the local labour markets in Ethiopia. Nevertheless the analysis of local labour markets hint in an interesting and important direction to understand the functioning of the labour markets and the possibilities and limits of census data to describe these details.



## **Chapter 7**

### **Summary, Conclusions, and Recommendations**

#### *7.1 Reasons and limits of this study*

Work and unemployment are pivot problems which reciprocally connect population trends to the economic development, both at national and locale scale. The urban population growth makes the towns focal points where these connections are more evident. Real work opportunities and expectations for work are among the strongest pull factors in migration from countryside to urban areas and towns. But an urban population growth far exceeding job creation brings unemployment into light, differently from the indefinite statuses of underemployment and temporary inactivity which are common, instead, in the traditional rural way of life.

On the other side, labour chances and urban constraints, as well as the difficulties in finding adequate jobs in towns, far from trimming rural-urban migration may add to other factors in modernising the demographic behaviour of urban population according to the aims and programmes which regard people's life-cycle or that of their children. Later marriage, later and fewer children, smaller family and household not only try to respond to the urban environment restraints, but also stem from an adaptive behaviour aimed at the most effectual insertion into the labour market and urban society.

The changing structure of households and families following urbanisation can have important effects on the behaviour in the labour market. Work decisions made by individuals and households imply a greater dose of risk since people are less protected by the reference community (extended family, clan, village, etc.). In compensation, the income earned by work has a more limited distribution, almost entirely within the worker's family nucleus. It is therefore easier to perceive the connection between the work done, income earned and the resultant individual and household well-being.

All these reasons persuaded us to tackle the difficult task of analysing the work status and unemployment in urban Ethiopia starting from the 1994 Census data. We also compared that situation with the previous census (1984) and the most updated picture provided by the 1999 Labour force survey. Because of our competence and interest, the perspective is exclusively socio-demographic, with no macro-economic or labour-economic aim.

In this conclusive chapter, first we remind some of the most interesting results we achieved, than we try to draw some general conclusions from our work and to suggest some lines for a better knowledge and monitoring of the problem.

#### *7.2 Main results*

The comparisons between the 1984 and 1994 Censuses and the 1999 LFS are only partially useful in interpreting trends regarding work and work-related items. The profound changes in the economic and political background the country has undergone in this fifteen-year period are reflected in the changes of the relevant aggregates, but the 'statistical mirror' may have been warped by the milieu or by the events, so that data may not always describe the real situation.

The incidence of contingency is particularly evident on unemployment, both in its low rates at the 1984 Census and the dramatically high rates at the 1994 Census. The political and economic transition that Ethiopia and especially Addis Ababa have undergone in early '90s largely justify the latter ones, making any in-depth analysis too much specific to that period. Nonetheless, differences in time and space are identifiable in the following main facts:

- i) The working-age population (15-64) is increasing fast in towns, especially in Addis Ababa, as a percentage of total population. We can look at this fact as the ‘workforce bulge’ mentioned by the 1998 UNFPA Report: low levels in young dependency ratios and the younger age-structure of the working-age population show the large labour-force potential available by the economy in the capital city and the rest of towns;
- ii) Labour-force participation rates are lower in urban areas and especially in Addis Ababa in comparison to the rest of the country. Differences are important by gender (lower participation of women living in towns, especially at earlier dates) and by age (lower participation both at entry and exit ages, with typical patterns by gender);
- iii) The labour-force participation of women living in urban areas is increasing, so that they are approaching men in levels and patterns. We wonder how much this ‘masculinisation’ of the female labour supply is due to their increase in education, in the acceptability by the society of women’s economic activity, or to the income needs of the households;
- iv) Unemployment is centred in urban areas, especially in Addis Ababa, where real labour markets operate. The scaling of unemployment levels according to the demographic dimension of urban centres confirms the ongoing parallel process of urbanisation and modernisation of labour in Ethiopia;
- v) The first-job seekers contribute overwhelmingly to total unemployment. The ‘workforce bulge’ made up by a very young labour supply finds difficulties in entering the labour market successfully, either because of their characteristics (this fact might be especially true for young women), or the inadequacy of the demand from a quantitative and qualitative point of view. In the capital city a ‘late’ unemployment is also present, probably because of the undergoing changes in the private sector and civil service;
- vi) The higher and increasing unemployment rates following the higher pressure of young and middle-aged women on the labour market in Addis Ababa. This fact suggests the interpretation that the increased labour-force participation of women is caused mainly by the households’ necessity of earning more money because of either poverty or increasing consumption needs. The most recent situation, as pictured by the 1999 LFS, should also be explained by the possible effects of the conflict with Eritrea: women might have tried to ‘substitute’ men mobilised by the army because of the needy condition of their households;
- vii) The employment crisis undergone in correspondence of the 1994 Census. This crisis was particularly strong in Addis Ababa, where more than one third of the workforce was seeking work. The specific difficulties in that transition period can justify those values, but the following recovery seems not to be able to reduce the unemployment in the capital city.

The possible connections between some demographic and socio-economic factors and either the labour-force participation or unemployment were highlighted through an in-depth, one-by-one analysis of some socio-economic characteristics of the workers (marital status, kinship relation to the head of the household, ethnic group, religion, education, migration status, and household economic status), always controlling also sex and age. This analysis was limited to the urban areas as defined by CSA at the 1994 Census.

The marital status plays an opposite role respectively in male and female labour-force participation rates, at least in central and older ages. Never-married men show a significantly lower labour-force participation, while it is strikingly different in levels and pattern for the unmarried women when compared to the much lower and relatively flat curve for the currently married women. Patterns and levels for the never-married men and women are similar in younger ages, showing a similar scheme of entrance of the young generations into the labour market.

The headship role in the household forces men and women to be economically active as well as being economically active is a pre-condition to the family formation, at least for the great majority of men. Differences are remarkable especially for women, so sketching a twofold urban society, where wives are mainly housewives or, anyway, are not formally engaged in labour activity, while the women who, married or unmarried, are head of a household work in a much larger proportion. The differentials in unemployment rates by the kinship relation to the head of the household confirm that youth unemployment is a matter of the members other than the head. This could partially alleviate the impact of such high unemployment rates in 1994 urban areas, since the burden was largely shared within households where at least their head actually worked.

Female labour-force participation rates in urban Ethiopia are inversely related to the number of children living in the household. Women with a highly controlled fertility show participation rates more similarly shaped as the male pattern: is this the hint of a new emerging urban class in which women behave more similarly to the MDCs' women in reproduction and work?

Differences in labour-force participation or unemployment by ethnicity or religion are not very important. Only a more marked division of gender roles seems to characterise the Muslims and the ethnic groups where they prevail. Also typical trades or professions of some ethnic group seem to affect levels and shape of the labour-force participation and unemployment.

The patterns of labour-force participation by education are almost obvious, but the entry pattern into the labour market is surprisingly similar for all the educational levels other than 'illiterate', at least for men, highlighting the not-negligible presence of idle young people neither enrolled in schools nor engaged in work. This makes us wonder if they actually worked, at least casually, in the informal sector. Youth unemployment rates by educational level induce us to hypothesise negative returns to education since unemployment rates in early ages are higher the higher education men and especially women have.

Male recent migrants show higher labour-force participation rates especially at young and old ages. The corresponding women are more economically active only at young ages, probably because of the very poor qualification the older ones can offer on the labour market and the traditional role they have in their families. Non migrants, on the contrary, have a later entrance into the labour market. This proves their possibility to go on studying or, anyway, to wait for a suitable job. This is confirmed by the higher youth unemployment that they can bear because many of them still live at their parents' home, depending on the other household members' revenues.

For men in urban Ethiopia, a better well-being corresponds to a late entry into the labour market and an early exit from it. Women belonging to the better equipped households show a much higher labour-force participation rates in young and middle ages. Obviously, the higher youth unemployment is borne more easily and longer by people belonging to the better-off households.

Starting from this basis and using logit-regression models we 'weighted' the most important differential factors in the complex relation they keep with work condition and unemployment. We limited the analysis to the role in the household (relationship with the head of the household), age, and educational attainment, since various attempts with more complex models have not yielded more satisfactory results.

Our previous descriptive analysis is confirmed. The position in the household plays a dominant role for both the economic activity and unemployment. Male household heads have a significantly higher probability of being in the labour force and a significantly lower risk of unemployment. Illiterate and higher educated persons have higher probability of being economically active than persons with 1-8 years of schooling. The pattern of 'risk' differs only slightly in the different urban settings: in most cases a continuous change for the three urban categories we used (less than 20,000 inhabitants; equal or more than 20,000 inhabitants; Addis

Ababa) can be observed. All age groups have a higher unemployment risk than the 25-34-years reference group. In the case of educational attainment, the risk is lower for illiterate persons and higher for both categories with more years of schooling than the reference category (1-6 years of schooling).

The household dimension is an important perspective to appreciate the familial and social impact of labour difficulties as well as the possibility of social change and mobility. For this reason we analysed activity and unemployment also at the household level. We limited the analysis to urban Addis Ababa in 1994.

While participation rates decline with the increasing of the household size, the percentage of unemployed increases only slightly. The proportion of students among the 10-24-year-old members peaks to more than 80 per cent in the households where the youngsters are four/six and there are at least three other members in older age. The central role of bread-winner carried out the members in central age (25-64 years) is fully confirmed in the analysis of their working status: only in the households with more than six members the proportion of the employed ones is slightly under half of the total number of adults; unemployment affects 18 per cent of them, on the average, slowly increasing with the household size. Most of the household members aged 65 years and over were reported as retired (47 per cent, on the average, with a proportion increasing with the household size), but we do not know whether they were really pensioners or just people who gave their preceding labour activity up: about an additional 28 per cent was reported in other non-active conditions.

The solidarity which characterizes rural households sharing internal and external duties as well as benefits among all their members is not lost in the urban setting. Only specialization is added, which assigns specific tasks to each member. These tasks can be either immediately profitable and income-earning, or aimed to the household up-keeping, or projected towards future improvements of the well-being, as investments in schooling and education of young family members are. This fact introduces a long-time planning view which cannot be present in rural households. However, the strategy is not much different in dimensioning the household: in fact, large and complex households can better differentiate and face possible difficulties. The urban population in more disadvantaged socio-economic conditions often carries out this strategy, so that cohabitation is not only a temporary solution to housing problems, but an effective way to increase the economic security and chances for all household members.

Labour-force participation and unemployment was also analysed for a set of thirty towns chosen because their demographic dimension and/or their local importance. Some important differences emerged according to the role played by the town in the administrative system, as well as to the function the centres perform in their territory or in the national networks. However, local drifts seem to prevail, due to social and cultural specificities and, somewhere, to problems in data quality.

### *7.3 Conclusions and recommendations*

The modernisation of an economy implies paramount changes in its labour force. The size, location, and structure of the workforce progressively lose the indefinite status connected to the rural way of life where biological and working life nearly coincide. In the modern sector, instead, people are either in or out of work. The study of working status and unemployment is hence meaningful only where the prevalent economic framework is not traditionally rural.

Being Ethiopia among the countries with a rapidly growing population coupled with a still backward economy the proper management and efficient utilisation of its work force is essential. In this respect, the capacity of the economy in absorbing the potential labour force needs to be monitored regularly, and appropriate employment policies should be adopted consequently.



From this consideration stems our first suggestion to make frequent surveys on the labour market status. These surveys may normally be limited to urban areas till when also rural areas will be involved in a market economy.

The typical dynamism of a fast changing socio-economic environment induces a high variability in the quantity and quality of demand for work in towns. Many of the informal jobs are casual, insecure and irregular, carried out as 'marginal activities' in the field of services to persons or properties. This variability can also create pockets – even quite large ones – of unemployment. Employment, underemployment, and unemployment are work statuses which can overlap frequently in reality as well as in the worker's perception.

This fact suggests to survey the work and non-work status through the most accurate and diverse methodology. 'Normal' and 'current' status, more than a different period of reference, are different layouts which imply different methods in inquiring as well as they produce results largely different in numbers and interpretation. Especially the 'current' status approach needs a probing methodology to highlight those transient conditions connected either to occasional jobs or to the indefinite status in between unemployment and one of the non-working conditions.

The latter is particularly the case for the first-job seekers, whose will to work and the actions performed for that must be probed accurately also considering their 'normal' status. In fact, the pressing economic needs of the individuals and households in LDCs' towns make almost everybody who is out of work desire any occupation, regardless his/her actual condition may be.

The evolution of work and employment between 1984 and 1999, especially in urban areas and the capital city must be connected to the important changes which occurred in the political and economic regimes during this period in Ethiopia. The troubled process which has driven the country from a state-controlled economy to a market economy brought to light the inconsistencies between labour demand and supply and made unemployment emerge. In appearance, the labour market moved from equilibrium to disequilibrium: actually, at least from the statistical point of view, it moved from a static and formal image to a dynamic, contrasted, and more realistic one.

The specificity of the historical period may partially justify some results of our research. The important changes in the economic structure and the reductions of the employees in the public sector, which occurred in the '90s, probably make the entry into the market worse for people seeking the kind of jobs traditionally carried out by educated workers. The transient situation, instead, with so many insecure and low level jobs, may have favoured the employment of illiterate people and of those with low educational levels.

The labour absorption capacity of the modern sector in Ethiopia is still very low, while the number of job seekers is growing higher each year. Currently, there is a high and ever growing demand for employment opportunities in the country that far exceeds the supply. Creating sufficient job opportunities to eliminate or mitigate the problem of unemployment in urban areas is becoming a formidable challenge to be faced by policy makers.

In the prospect of globalisation, however, this cannot be considered as a local challenge only. The underdevelopment and survival problems it involves for the Ethiopian population are world-wide problems that the international bodies and MDCs have to tackle in a common aim. Substantial investments in infrastructures and productive activities must join the 'rearing' of local economic potentialities in order to multiply jobs and labour opportunities. Otherwise, the growing mass of the unemployed or underemployed people living in towns will push to emigrate abroad in an ever increasing measure.



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