

Urban Unemployment in Addis Ababa City and Kerssa and Ego Towns in Munessa Wereda, Arsi Zone of Oromia Region: Determinants, Consequences, and Coping Strategies

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1. Introduction

Unemployment is one of the serious socio-economic problems across the globe that challenges the efforts being made towards eradicating poverty. Between 2008 and 2011, global unemployment rate increased from 5.6% to 6.0% and the number of unemployed persons remained stuck around 197 million (ILO 2012). Ethiopia has registered real GDP growth of 11.4% between 2004 and 2011 (Ministry of Finance and Economic Development 2010). However, the number of jobs created by the economy for the growing labour force was not commensurate with the high rate of unemployment. According to results of the 1984, 1994 and 2007 censuses, the unemployed population constituted 1.2%, 2.9%, and 3.8% of the country's population in the productive age (Central Statistical Agency 1991; 1999; 2008). The data clearly reveals the increasing trend of unemployment rate in the country. Although the proportion seems to be lower, it is indeed a serious problem in the country where there are limited social protection schemes to protect the unemployed. Disaggregated by geography, unemployment has been the salient feature of urban areas in Ethiopia (17.6%) than rural areas (3.8%) (CSA 2010). The economies of many towns and cities in Ethiopia have not developed well to provide jobs for the overwhelming majority of

Unemployment is one of the serious socio-economic problems making poverty eradication an arduous task. In Sub-Saharan Africa, unemployment rate remained persistent at around 8% in the year 2010.

And though Ethiopia has registered real GDP growth of 11.4% between 2004 and 2011 (Ministry of Finance and Economic Development 2010), the number of jobs created by the economy for the growing labour force was not commensurate with the high rate of unemployment, which stood at 17.6% for urban areas and 3.8% for rural areas (CSA 2010).

the urban residents and those migrating from rural areas mainly to search for employment opportunities. Consequently, some segments of the unemployed individuals in urban areas also engage in undesirable activities such as begging, commercial sex work, and theft. Cognisant of these, determinants and consequences of unemployment have drawn the attention of various development actors. For example, the Ethiopian government made employment a constitutional right, and put in place numerous policies and strategies to address unemployment.

Nonetheless, detailed studies that focus on unemployment are scarce. Hence, this empirical investigation was aimed at exploring the causes and consequences of unemployment, and people's responses to the problem in selected sub-cities of Addis Ababa and Kerssa and Ego towns in Munessa wereda, Arsi Zone of Oromiya Region.

2. Methodology

The study employed the labour force framework to identify the economic activity status of respondents comprising all individuals above a minimum age of 15, who, based on the activity during a brief period of one week or less, can be categorized as being employed or unemployed (Husmanns, Mehran and Verma 1990). 'Unemployed' includes all persons above age 15 who, during the reference period of one week, were without work and currently available for work (UN 2010). It was a case study research underpinned on multiple schools of thought (Keynesian, Institutional, and Sociological) and different methods of data collection—desk review, household survey, key informant interviews, and focus group discussions. The case study weredas and towns

were purposively selected based on previous research experience in the areas, familiarity of the researchers with the sites, the relatively high population concentration and the resultant high rate of unemployment.

3. Findings

Distribution of Unemployment: Total unemployment rate was 55.9% of the labour force with statistically significant variation between the two study sites: 61% in the two towns in Munessa and 51% in Addis Ababa. The total unemployment rate was relatively higher for the youth (62.7%), those with no education (74%), non-migrants (58.4%), and those from economically poor parents (82.1%). The mean duration of unemployment was 42 months. About 61% of the unemployed individuals were first-time job seekers and 39% entered into unemployment from employment. Of those previously employed individuals, 56.8% had become involuntarily unemployed— i.e. quitted job due to displacement of work, termination of contract, shutting down of an organization, health problem, seasonality of work, and income insecurity. Conversely, 43.2% entered to unemployment voluntarily— i.e. stopped working to search for better payment, to work in one's own profession, due to lack of satisfaction, on private/family affairs such as marriage, and because of lack of opportunity to learn and gain experience.

Among respondents who were not working, 72% had been actively searching for jobs. The main job-searching strategy was visiting vacancy-advertising boards (47.8%) followed by seeking the assistance of friends and relatives (40%). This indicates the reliance of considerable number of individuals on informal methods of job-search. About 38% of those who were willing to take up work for wage wanted to get employment in government offices or NGOs whilst 39% mentioned that they were looking for any available work. The distribution shows the inclination of substantial number of jobseekers towards formal sector jobs while there were also individuals who seemed to be desperate that they want to engage in any type of work available.

Determinants of Unemployment: Higher incidence of unemployment was observed among the youth, and this was attributable largely to their tendency to search for job for longer period than engaging in any available but 'undesirable' job. Besides, youth can afford long period of job-search as their financial commitment is limited compared to adults. Low level of education and lack of work experience also prevent them from employment. The likelihood of unemployment significantly declined with increase in educational level, showing the crucial role of education in determining the incidence of unemployment. Better employment prospect of well-educated individuals is related to high intensity and effective strategy of job search used by educated members and the inclination of the contemporary world of work towards better-educated job seekers.

Due, partly, to limited or no family-related responsibilities that elongate period of search for better job, the likelihood of unemployment was significantly higher among never-married

individuals than currently married ones. The problem of unemployment is persistent among economically poor families than those from medium/rich parents. Involuntary unemployment is typical in poor families as the unemployed household members often have financial constraint to actively search for employment opportunities or establish their own income-generating activities. The risk of unemployment among migrants was significantly (by 39%) lower than among non-migrants. Individuals living in Munessa had higher risk of unemployment than residents of Addis Ababa. This may be because diverse employment opportunities in large cities possess associated better economic performance and demand for broader range of skills. The limited employment opportunities, lack of timely labour market information, and seasonality of agriculture related activities seemed to have contributed to higher unemployment rate in Munessa. This implies the importance of narrowing investment gap between different geographical areas.

Total unemployment rate stands very high (61% in the two towns in Munessa and 51% in Addis Ababa); and the total unemployment rate was relatively higher for the youth (62.7%), those with no education (74%), non-migrants (58.4%), and those from economically poor parents (82.1%). And these realities present multiple economic, psychological, political, and environmental consequences on unemployed individuals and their families; it was more pronounced among persons ≥ 45 years of age, males, widowed or divorced individuals, migrants, and those with no prior work experience.

Consequences of Unemployment:

Unemployment has multiple economic, psychological, political, and environmental consequences on unemployed individuals and their families. The effect was dominant among persons ≥ 45 years of age, males, widowed or divorced individuals, migrants, and those with no prior work experience. Lower level of education and longer duration of unemployment significantly increased negative wellbeing change. Most unemployed individuals from destitute families reported negative wellbeing change (94%). Individuals ≥ 45 years of age, males, widowed or divorced persons, migrants, those with no prior work experience and remained unemployed for relatively longer duration, those from economically very poor parents, and residents of Munessa wereda reported negative wellbeing outcome of unemployment on their respective families. Financial constraint is one of the ways through which unemployment negatively affects wellbeing of individuals and their family.

The psychological wellbeing of the unemployed individuals, measured based on the modified form of General Health Questionnaire emphasizing

respondents' feelings related to self-confidence, depression, anxiety, and ability to cope with difficulties, was significantly lower than that of the employed ones. Most of the unemployed persons studied are unhappy, less self-confident, depressed, more anxious, and feel that they have less ability to cope with difficulties. Unemployed individuals had lower psychological wellbeing, which occurs through financial problem and reduced self-concept. The finding implies the importance of guidance and counselling services for unemployed individuals to enable them cope with the psychological effects of unemployment.

Labour market insecurity increases dissatisfaction with the existing political system. Unemployed persons had negative attitude towards the political system than employed ones. Despite agreeing on adequacy of policies and strategies aimed at addressing unemployment, they had doubt on the proper implementation of the policies and strategies. About two-third of the unemployed individuals indicated their strong objection on the adequacy of financial assistance given to unemployed persons and on arrangement of place of work and apprenticeship. Unemployed

youth, those residing in Addis Ababa, those whose fathers had secondary education or more, and whose parents are economically better-off had negative attitude to the political system.

Unemployed individuals constituted substantial share of individuals who were not satisfied with their housing conditions. Due to financial constraint, such individuals might have been forced to live in houses with relatively small cost, which are often found in slums or in peripheral areas with poor infrastructure. Close to three-fourth of unemployed individuals did not have access to clean water. Similarly, unemployed persons comprised two-third of individuals with no access to sewerage service. More than half (53%) of them dumped wastes outside a compound and 13% of them dumped on streets. Absence of the service and such unsafe disposal adversely affects the health condition of the family and the community. About 80% of users of firewood were unemployed; whereas, among the users of electric stove, only 14% were unemployed. Although this analysis did not allow

With high rate of unemployment, unemployed individuals doubt the proper implementation of employment policies and strategies; and they even view the political system as insensitive to or incapable of meeting their needs.

establishing causal relationship, it indicates that unemployed individuals are affected the most by such unfavourable living conditions.

Coping Strategies: Unemployed individuals employ diverse strategies to minimize the effects of unemployment. This includes *ex post* mechanisms that deal with consumption, such as reducing food consumption (skipping meals, eating less preferred/expensive food, and reducing the size of food consumed), receipt of remittance, and other arrangements. More than half of the unemployed individuals reported to have skipped meals. Eating less preferred/less expensive food was used by 38% of the respondents, whilst 37% reduced the size of food they consumed. These coping mechanisms have adverse effect on the health and productivity of the individuals as its frequent practices exacerbate impoverishments.

Social support of unemployed individuals in the study areas takes several forms including instrumental, informational, or emotional assistance by parents (39%), brothers/sisters (24%), relatives (20%), friends (18%), and children (5%). In this study, only one in five individuals in the labour force was self-employed. In addition to aspiration for paid employment, the chance of engaging in self-employment is dependent on level of professional training, financial responsibilities,

availability of starting capital and place of work, and appropriate skills of identifying, establishing, and running private businesses. Besides, fewer unemployed individuals utilize other strategies such as seasonal migration, casual work, remittance, charitable support, and previous saving.

4. Policy and Programmatic Recommendations

- *Social Protection Schemes*: This study found out that marginalized individuals (i.e. old age, female, illiterate, and the widowed/divorced) are either unemployed or work in informal self-created ventures, demanding pro-poor social protection schemes to protect them from falling to poverty trap.
- *Skill-based Formal and Informal Education for Adults*: Individuals with no or little education are the most affected by unemployment and its likely consequences. Hence, expanding adult education that integrates the enhancement of knowledge and skill can enable them effectively engage in both paid employment and self-employment.
- *Balanced Spatial Distribution of Investment*: The incidence of unemployment and its adverse consequences are more severe among residents of the towns in Munessa than among residents of Addis Ababa, indicating high concentration of investment in the later. Therefore, future investment plans in the country shall focus on narrowing development gaps through equitable distribution of socio-economic development projects and programs.
- *Employment Exchange Services*: considerable percentage of unemployed individuals were dependent on informal networks to get labour market information. Given the numerous disadvantages associated with reliance on such job search strategy, it would be better if employment exchange services are expanded to wider geographical areas in addition to strengthening the existing ones.
- *Skill Refresher Training*: Longer duration of unemployment creates skill loss among the newly graduate job seekers. This appears to be one of the causes of resource wastage on the one hand, and increases inefficiency among employees on the other. Hence, efforts shall be made to provide skill refresher trainings.
- *Counselling Service for Unemployed People*: This research documented the cases of unemployed individuals who became

desperate and psychologically disturbed. This calls for mechanisms of putting in place institutions that play the role of counselling unemployed individuals at different levels.

- *Addressing Unemployment to Enhance Political Participation and Stability*: Minimizing unemployment and its adverse consequences through proper implementation and monitoring and evaluation of existing policies and strategies can contribute to national political stability, and also enhance people's participation in political activities.
- *The coping strategy that is widely used by unemployed individuals was reducing consumption*. This has adverse effect on the physical and cognitive development of unemployed individuals in general and the youth in particular, which is likely to impair their future productivity. Hence, the national nutrition strategy shall consider the labour force status of individuals in its interventions.

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