

IDS Bulletin

Transforming Development Knowledge

Volume 49 | Number 5 | November 2018

YOUTH EMPLOYMENT AND THE PRIVATE SECTOR IN AFRICA

Editors **Seife Ayele,**
Dominic Glover and
Marjoke Oosterom



Notes on Contributors	iii
Clementina Oluwafunke Ajayi In Memoriam	vii
Introduction: Youth Employment and the Private Sector in Africa Seife Ayele, Marjoke Oosterom and Dominic Glover	1
Ethiopia's Agricultural Transformation: Agribusiness' Contribution to Reducing Youth Unemployment Tesfamicheal Wossen and Seife Ayele	15
Labour Casualisation and Youth Employment in Ghana's Formal Private Sector Gertrude Dzifa Torvikey	31
Uganda's National Youth Policy and Job Creation for Youth Rita Makumbi	45
Skills Gaps and Mismatches: Private Sector Expectations of Engineering Graduates in Ethiopia Jerusalem Yibeltal Yizengaw	55
Fostering Agribusiness Entrepreneurship for Kenyan Youth through Practice-Based Education John Muchira	71
Navigating Precarious Livelihoods: Youth in the SME Sector in Zimbabwe Simbarashe Gukurume	89
Assessing the Effectiveness of Employment Programmes for Ex-Combatants: A Case Study of Nigeria's Post Amnesty Programme (PAP) Tarila Marclint Ebiede	105
Glossary	119

Ethiopia's Agricultural Transformation: Agribusiness' Contribution to Reducing Youth Unemployment'

Tesfamicheal Wossen¹ and Seife Ayele²

Abstract This article explores empirical evidence on the relationship between agricultural transformation, ownership structure of agribusinesses, and employment creation in Ethiopia. It draws on secondary data to present evidence of Ethiopia's agricultural transformation, employment trends, and the agribusiness sector's contribution to employment generation. The country's agricultural sector has shown signs of transformation in the form of both labour movement to the more productive manufacturing and services sectors, and productivity growth through the commercialisation and creation of agribusinesses. The findings suggest that the growing number of agribusinesses are generating more jobs for youth but also reveal a number of challenges to overcome, such as skills gaps, low pay in the private sector, and inflexible land ownership and transfer processes. The study suggests targeted policy reforms to incentivise efficient and competitive private agribusinesses, and to address agribusiness-related constraints, skills and wage gaps, as well as land ownership and rental market constraints.

Keywords: agribusiness, private sector, youth, (un)employment, agricultural transformation, land ownership, agriculture, labour productivity, micro and small enterprises.

1 Introduction

Africa has the largest youth population (15–35 years old) in the world (AfDB 2016), representing 35 per cent (approximately 420 million individuals) of the continent's 1.2 billion population. Each year, 10–12 million youths join the continent's labour force (AfDB 2016; Fox and Thomas 2016) but only 3 million formal jobs are created annually (AfDB 2016). This mismatch between labour demand and supply in the formal sector poses a significant challenge to policymakers as the youth population is expected to double to over 830 million by 2050, a phenomenon commonly referred to as the 'youth bulge' (Evoch 2012;

© 2018 The Authors. *IDS Bulletin* © Institute of Development Studies | DOI: 10.19088/1968-2018.171



This is an Open Access article distributed under the terms of the Creative Commons Attribution Non Commercial 4.0 International licence (CC BY-NC), which permits use, distribution and reproduction in any medium, provided the original authors and source are credited, any modifications or adaptations are indicated, and the work is not used for commercial purposes. <http://creativecommons.org/licenses/by-nc/4.0/legalcode>

The *IDS Bulletin* is published by Institute of Development Studies, Library Road, Brighton BN1 9RE, UK
This article is part of *IDS Bulletin* Vol. 49 No. 5 November 2018 'Youth Employment and the Private Sector in Africa'; the Introduction is also recommended reading.

AfDB 2016; Ayele, Khan and Sumberg 2017). In fact, in sub-Saharan Africa (SSA), youth are three times more likely to be unemployed compared to adults (AfDB 2016; Fox and Thomas 2016). Even among employed youth, only 17 per cent are in paid employment whereas the rest are engaged in vulnerable employment such as unpaid family work and self-employment activities (AfDB 2016).

In Ethiopia, youth (persons aged 15–29) unemployment is a major concern (CSA 2015a; Gebremariam 2017). Data from the Central Statistical Agency also suggest that youth, particularly in urban areas, are four times more likely to be unemployed than adults (CSA 2014). Seventy per cent of youth live in rural areas where agriculture forms the basis of livelihoods (Bezu and Holden 2014). In this regard, it is critical to examine how the agribusiness sector – which encompasses the full range of activities such as input suppliers, farm producers, and agri-processors to wholesalers and retailers – could drive job opportunities for youth, given the importance of Ethiopia's agricultural sector. As the country's growing number of agribusinesses are generating more jobs, understanding the role of agribusiness is also vital as future employment generation and expansion are expected to be in this sector (AfDB 2016; Moller 2015; World Bank 2016).

Prior to 1991, the private sector in Ethiopia played an insignificant role in employing youth due to the government's centralised recruitment and deployment of employees to publicly owned companies (Blattman and Dercon 2018). Moreover, nationalisation of land and large-scale manufacturing and service industries by the 1974–91 socialist government left a diminutive formal private sector, with a large informal sector running alongside it (Ayele *et al.* 2016). In fact, during this time, more than 75 per cent of the youth in formal wage work were employed by the public sector (Krishnan 1996). Since 1991, the government has undertaken two main reforms: (1) privatisation of state-owned enterprises, and (2) giving special incentives to the private sector to promote growth, in the form of subsidised credit services, tax breaks, and preferential land leases (Moller 2015; World Bank 2016; Blattman and Dercon 2018). Because of such incentives and other factors, the number of privately owned agribusinesses has increased; for example, the number of farms in the cut flower sector grew from five to over 100 (Schaefer and Abebe 2015; Ayele *et al.* 2016). However, the role that such private enterprises have played in creating employment opportunities for youth is not well documented.

This article views agricultural transformation as: (1) within- and between-sector productivity growth, and (2) a process that drives job creation and economic diversification in agriculture-dependent countries such as Ethiopia (Dercon and Gollin 2014; Ligon and Sadoulet 2018; Diao, Hazell and Thurlow 2010). While between-sector productivity growth, a term commonly referred to as 'structural transformation', is driven by labour mobility out of the agricultural sector (to high-productivity sectors such as manufacturing and services),

within-sector productivity growth is driven by technological changes as well as commercialisation of the agricultural sector (McMillan and Rodrik 2011). As a result, productivity growth in the agricultural sector is considered as central to development that is based on poverty reduction and food security outcomes (see e.g. Irz *et al.* 2001; Dercon and Gollin 2014; Ligon and Sadoulet 2018; Diao *et al.* 2010; McMillan and Rodrik 2011; Gollin, Lagakos and Waugh 2014; Barrett *et al.* 2017). In this regard, previous studies (e.g. Christiaensen, Demery and Kuhl 2011; Diao *et al.* 2010) have documented that agricultural transformation, especially within-sector productivity growth, is effective in reducing poverty since the agricultural sector is the largest employer of the poor. For example, Christiaensen *et al.* (2011) reported that growth in the agricultural sector is two to three times more effective in reducing poverty compared to the same magnitude of growth in other sectors of the economy in SSA.

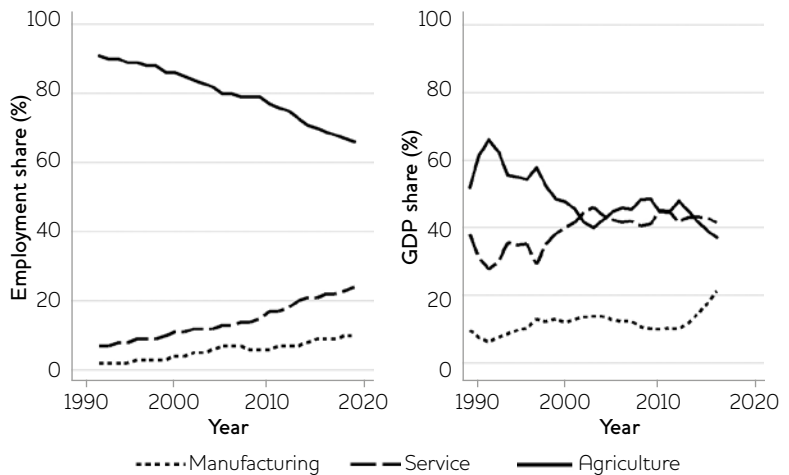
Besides its role in poverty reduction, we see agricultural transformation as the main driver of job creation for youth in many ways. Higher productivity in the agricultural sector increases the supply of commodities required by agro-processors; which allows agro-processors and other industries to expand production and create additional jobs. Since such industries are more labour-intensive, they might offer better employment opportunities for the youth. In addition, agricultural transformation leads to more diversified value chains and stronger integration of producers into international, regional, and local markets (Irz *et al.* 2001; Moller 2015; World Bank 2016). Further, because of agricultural transformation, new institutional arrangements in the contracting and marketing of agricultural products could emerge. The emergence of such institutions along with increased local demand creates new activities and consolidates value chains, which are important drivers of job creation (O'Higgins 2017; Losch 2016; Ripoll *et al.* 2017). Despite the above theoretical assertions, the empirical evidence on the relationship between agricultural transformation and youth employment opportunities is very scant. This article therefore explores this relationship using empirical data from Ethiopia. Specifically, the article examines the extent of agricultural transformation in Ethiopia, and the role the emerging agribusiness sector plays in addressing the youth unemployment problem in Ethiopia.

The remainder of this article is structured in three sections. Section 2 describes the data sources and methodology used in the study. Section 3 presents and discusses the main findings. Section 4 concludes and suggests some policy recommendations.

2 Methods and data sources

This article employs a quantitative approach that involves analysis of agricultural transformation and youth (un)employment data. Main sources include: (1) the World Bank Development Indicators (WDI) database (World Bank 2018), which is used to generate and present evidence of agricultural transformation; (2) the National Labor Force

Figure 1 Structure of the Ethiopian economy



Source Authors' own, based on WDI data.

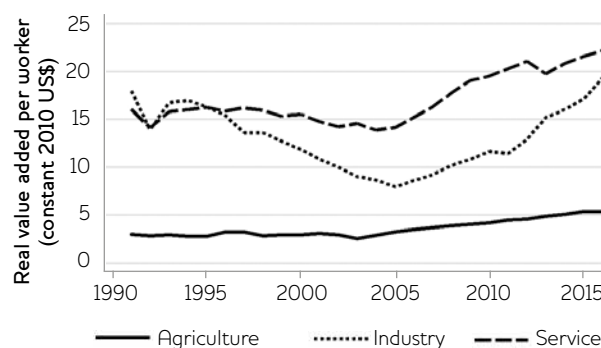
Surveys (NLFS) and Urban Employment Unemployment Surveys (UEUS), which show current employment trends in Ethiopia; (3) data from the Ethiopian Horticulture Producer Exporters Association, and surveys on small-scale manufacturing industries and large- and medium-scale manufacturing and electricity industries, which examine the relative importance of the agribusiness sector in terms of employment generation; and (4) Ethiopian Socioeconomic Survey (ESS) data, which provide micro-level evidence on youth employment and agricultural transformation. The ESS data contain detailed information about farm and non-farm activities from 5,000 Ethiopian households. The approach employed in the article provides correlations and associations but not necessarily causal links.

3 Findings and discussion

3.1 Evidence of agricultural transformation in Ethiopia

Between 2005/06 and 2015/16, Ethiopia recorded a real gross domestic product (GDP) growth rate of 10.3 per cent (Moller 2015). During the same period, real agricultural output grew by approximately 8 per cent and the incidence of poverty declined from 43 per cent to 29.6 per cent (Bachewe *et al.* 2018). The growth in agricultural productivity was largely due to public investments in modern inputs such as improved seeds and fertiliser, extension services, and the development of agribusiness (*ibid.*). As shown in Figure 1, agriculture currently contributes roughly 37 per cent to GDP and 68 per cent to employment. Between 1991 and 2016, the sector's contribution to GDP declined by 23 percentage points; however, despite this significant decline, its employment share remained high, a clear sign that the productivity of the sector is relatively low. Over the same period, the employment share of the manufacturing and service sectors increased by 8 percentage and 17 percentage points respectively.

Figure 2 Labour productivity in the agriculture, manufacturing, and service sectors, 1991–2016



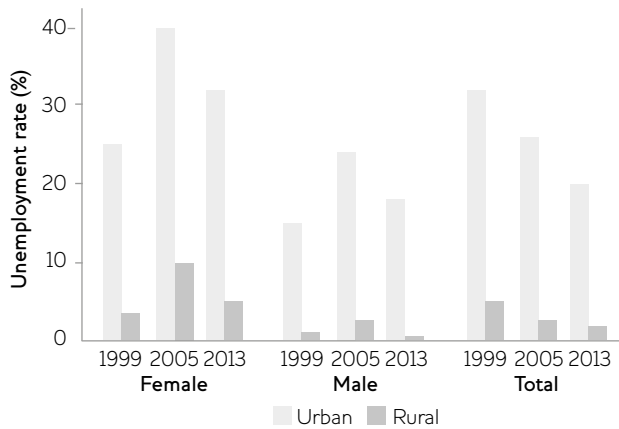
Source Authors' own, based on WDI data.

The contributions of the manufacturing and service sectors to GDP also increased during the period, by 15 percentage and 14 percentage points respectively. The changes in these two sectors, and the agricultural sector's reduced share of employment and output, are indicative of structural transformation in the country.

Figure 2 shows that real value added per worker, which measures labour productivity, increased steadily across all three sectors during the same period:³ labour productivity in the three sectors grew by an average rate of 5.9 per cent.⁴ However, labour productivity in the agricultural sector is still low compared to other sectors of the economy, with the manufacturing and service sectors showing 3.6 and 4.2 times higher productivity respectively in 2016; in the literature this is commonly referred to as the agricultural productivity gap (McMillan and Rodrik 2011; Gollin *et al.* 2014).⁵ However, recent evidence (McCullough 2017) suggests that the large productivity gap between the agricultural and other sectors of the economy is due to differences in hours worked across the sectors. McCullough's results suggest that agricultural workers supply fewer hours of labour per year than do workers in other sectors, underscoring the prevalence of underemployment in the agricultural sector (*ibid.*). Therefore, efficient agribusiness, that has a potential to reduce underemployment, would be as productive as the manufacturing and services sectors.

Further breakdown of the overall labour productivity growth from 1991 to 2016 by the World Bank suggests that 17 per cent was due to structural change (labour mobility from agriculture to other sectors); 72 per cent was due to rising labour productivity in the agriculture, manufacturing, and service sectors; and 11 per cent was due to changes in the employment rate and demographic structures (Moller 2015). Overall, the results suggest evidence of both within- and between-sector productivity growth.

Figure 3 Youth unemployment rate in Ethiopia, 1999–2013



Source Authors' own, based on data from CSA (2014).

3.2 Status of general and youth unemployment in Ethiopia

Records show that between 1999 and 2013, the general unemployment rate in Ethiopia declined from 9 per cent to approximately 5 per cent (CSA 2014). The unemployment rate in rural areas is quite low (below 3 per cent as of 2013), due mostly to the prevalence of unpaid family work and self-employment activities; however, CSA (2014) data suggest that 27 per cent of the employed individuals in rural areas are underemployed. Urban unemployment is much higher (approximately 20 per cent in 2013). In Ethiopia, only a very small percentage of individuals work in paid employment, particularly in the rural areas. Those who are not in paid employment are either self-employed or unpaid workers in family ventures. According to CSA (2015a), at the national level, only 10 per cent of people are in paid employment.

This composition is different between urban and rural areas: in rural areas, only 4 per cent of the employed individuals are in paid employment whereas this rate is approximately 45 per cent in urban areas. While the share of self-employment is largely similar (40 per cent in rural areas and 39 per cent in urban areas), the share of unpaid family work is disproportionately higher in rural areas (55 per cent) compared to urban areas (13 per cent). The unemployment problem in the country seems to be largely an urban phenomenon, with the high urban unemployment rate due mostly to high job-searching costs, mismatch between labour demand and supply, high rural–urban migration, and skills mismatches (World Bank 2016).

Since the manufacturing and service sectors are more skill-intensive than the agricultural sector, the higher rate of urban unemployment might be due to a lack of skilled job seekers. However, data from CSA (2015a) suggest an inverted-U relationship between unemployment and education. Unemployment is relatively lower among the less-skilled and highly skilled individuals compared to those with primary and

secondary school qualifications. In fact, the rate of unemployment is the highest among secondary school certificate holders. Further, most urban unemployed individuals (approximately 40 per cent), have been unemployed at least for a year (*ibid.*).

Youth unemployment is very high in urban areas and among women (see Figure 3). Between 1999 and 2013, the youth unemployment rate in urban areas declined from 32 per cent to approximately 20 per cent. In the same period, the rate in rural areas declined from 5 per cent to 3 per cent (CSA 2014). Like the general unemployment problem, youth unemployment is also an urban phenomenon. In addition to unemployment, underemployment is also a major challenge among youth;⁶ in fact, those employed in urban areas are mostly engaged in the informal sector. In 2013, 25.8 per cent of the urban employed individuals were in the informal sector, reduced from 50.6 per cent in 1999, and 38.5 per cent in 2005 (CSA 2014).

3.3 The role of the private sector in addressing the youth unemployment challenge

The development of the private sector can be key in addressing the youth employment challenge (Broussar and Teklesclassie 2012). For example, of the urban employees engaged in paid employment, only 20 per cent are employed in the public sector (World Bank 2016). According to CSA (2015a), a comparison of the skill sets of employees in the private and public sector suggests that the public sector is more skill-intensive than the private sector. For example, approximately 62 per cent of the employees of the public sector hold at least post-secondary educational qualifications in comparison to 14 per cent in the private sector. The share of unskilled employees in the public sector is close to zero, while this share is approximately 18 per cent in the private sector. Further, about 32 per cent of private employees hold only primary education, while this rate is only 12 per cent in the public sector (*ibid.*).

3.4 Macro-level evidence on agricultural transformation and youth employment

In this subsection, we provide macro-level evidence focusing on the cut flower sector and micro and small enterprises (MSEs). We focus on these two sectors as they represent the agribusiness sector that emerged from agricultural transformation. As discussed below, these sectors are involved not only in primary production but also in value addition. They are also well-integrated into the international market. Besides, the jobs created in these sectors are mostly paid and full-time.

3.4.1 The floriculture sector in Ethiopia

An important feature of agricultural transformation is within-sector productivity growth, driven by the agribusiness sector. An example of such transformation is the floriculture sector in Ethiopia, which has shown remarkable growth in the last 20 years. Between 2002 and 2016, the number of flower farms increased from five to over 100. This growth was mostly due to favourable government policies such as exemptions from paying income and export taxes and import duties,

Table 1 Jobs created by micro and small enterprises in Ethiopia, 2013/14

Industry group	No. of establishments	No. of employees	Employees permanently employed (%)
Food produce (excl. grain mills)	25,430	373,171	41.5
Grain mill	35,430	540,339	35
Textiles	3,416	49,280	47
Wearing apparel, drying of fur	18,199	246,062	40
Leather products	1,113	16,182	44
Wood products (excl. furniture)	1,548	13,348	38
Non-metallic minerals	1,709	29,155	39
Metal products	12,531	182,115	37
Machinery and equipment	58	941	31
Furniture	17,693	289,853	35
Others	182	3,024	38
Total	117,309	1,743,470	

Source Authors' own, based on CSA (2015c).

as well as better access to credit from banks (Schaefer and Abebe 2015; EHPEA 2018).⁷ In addition to local private entrepreneurs, a good number of these farms are owned by foreign companies (mainly from the Netherlands, the United Kingdom, Israel, and India).

This sector is largely labour-intensive, especially during the processing and post-harvest phases, and mainly requires less-skilled labour (Schaefer and Abebe 2015). As a result of this growth, a significant number of jobs were created for less-skilled individuals. Current estimates suggest that, over the past 15 years, the flower farms along with fruit and vegetable farming created an employment opportunity for more than 180,000 individuals (EHPEA 2018). Approximately 85 per cent of the jobs created in the cut flower sector are taken up by women, and due to the labour-intensive nature of these jobs, most of the employees are the youth (*ibid.*). To put this into context, in 2016/17, the all-time employment record for the textile sector was only 49,280 individuals. Another interesting aspect is the striking difference in labour-land ratio between these agribusiness and large-scale commercial farms in Ethiopia. According to CSA (2017), the average household landholding in Ethiopia is 1.38 hectares. Given that the average household size in rural Ethiopia is 4.8 persons, a hectare in a smallholder system supports at least four people, which is mostly in the form of unpaid family labour. Large-scale farms create only 0.05 permanent jobs per hectare and 4.9 jobs for temporary workers (Ali, Deininger and Harris 2017). However, a hectare in the flower, fruit,

Table 2 Ownership structure of agriculture-related MSEs in Ethiopia, 2013/14

Industry group	Private (%)	Partnership (%)	Share company (%)	Limited company (%)	Cooperatives (%)	Government (%)
Food produce (excl. grain mills)	91.24	5.85	0.38	0.19	1.89	0.23
Grain mill	88.04	8.67	0.14	0.11	0.89	0.05
Textiles	83.20	7.99	2.20	0.56	5.80	0.26
Wearing apparel, drying of fur	90.95	4.91	0.31	0.26	2.32	0.36
Leather products	71.16	21.11	1.44	0.72	4.22	0.00
Wood products (excl. furniture)	77.26	11.43	2.58	0.00	7.62	0.00
Furniture	67.07	19.43	0.49	0.76	11.56	0.06
Average	86.1	10.9	0.6	0.3	2.1	0.04

Source Authors' own, based on data from CSA (2015c).

and vegetable farming sector supports approximately ten individuals through paid employment. This suggests that the floriculture sub-sector is playing a significant role in creating paid jobs for youth. It also generated US\$245 million in export earnings in the 2016/17 fiscal year (EHPEA 2018).

While the jobs in this sector are attractive at a managerial level, the pay is rather low at the entry level. As of 2013, the average monthly salary at the management level was 8,258 Ethiopian birr (approximately US\$450) while the pay for production workers such as land preparation, fertilisation, and harvesting was only 760 Ethiopian birr (US\$40) (Schaefer and Abebe 2015). Blattman and Dercon (2018) also reported that the working conditions in the cut flower sector are unpleasant and hazardous to health. In addition, the sector is facing several challenges. For example, accessing suitable land close to the airport is a challenge (Schaefer and Abebe 2015), and power outages, especially during storage, have resulted in significant revenue and job losses (Schaefer and Abebe 2015).

3.4.2 The agri-food processing sector

As part of the so-called 'micro and small enterprises' (MSEs), the agri-food processing sector has contributed significantly to alleviating the unemployment problem in Ethiopia.⁸ The small-scale manufacturing industries survey of 2013/14 shows that 1.7 million people were employed in this sector at the time (see Table 1). The top three employers were grain mills, food processing industries, and manufacturers of wearing apparel and the drying of fur. In fact, more than 85 per cent of the jobs in MSEs were created by enterprises related to the agribusiness sector.

The data further suggest that from the 117,000 MSEs registered at the time, more than 70 per cent were engaged in activities directly related

to the agricultural sector. In addition, 38 per cent of the employees in this sector were permanent paid workers while 22 per cent were in paid apprenticeships (CSA 2015c). Compared to small-scale enterprises, large- and medium-scale industries are largely ineffective in creating job opportunities (CSA 2015b). For example, in 2013/14, only 0.3 million individuals were employed by such industries. Thirty-nine per cent of these industries are in the agricultural sector (27 per cent in the food products and beverages sector and 12 per cent in the furniture industry), again suggesting the important role of agriculture-related activities.⁹

Table 2 presents the ownership structure of agriculture-related MSEs. More than 86 per cent of the small-scale industrial establishments are owned by private individuals, whereas government ownership is very limited. This suggests that the private sector is the major employer of individuals in the MSE sector. Another important driver of job creation is trade in agriculture-related activities: data from CSA (2014) suggest that a significant number of individuals – approximately 5.4 per cent of employed individuals in Ethiopia – are engaged in wholesale and retail trades, mostly for cereals. This rate is much higher in urban areas (20 per cent) compared to rural areas (2.9 per cent). This suggests that, as agricultural transformation intensifies, jobs can be created along the value chain.

Improving value addition remains an important area of intervention. For example, while high-income countries have a value addition of US\$180 per tonne for agricultural products, African countries' value addition is only US\$40 per tonne (World Bank 2016). In addition, the sector is also facing significant credit, land, and electricity-related constraints. The 2013/14 small-scale manufacturing industries survey identified the most important obstacles faced by agribusiness and the MSE sector to be: access to finance and land, shortage of electricity and water, as well as a lack of sufficient market information. In this regard, re-organising the agribusiness sector into special cluster zones would create areas where different types of agribusiness are agglomerated into one area. This would facilitate marketing and distribution and improve the supply of infrastructure and electricity-related services, which are critical in increasing productivity. As productivity increases, more jobs will be created for the youth in the agribusiness sector.

3.5 Micro-level evidence on the role of the private sector and youth employment

Here we provide further evidence on the relationship between agricultural transformation and youth employment using ESS data (CSA 2017).¹⁰ We draw employment rates from microdata, based on the following question: 'At any time over the last 12 months, were you employed in any kind of job, including part-time labour, for wage, salary, commission or any payment in kind, for anyone who is not a member of the household?' This question is mostly about paid employment (i.e. excluding self-employment and unpaid family work). Our analysis suggests that 8.7 per cent of the respondents were

Table 3 Paid employment in Ethiopia by sector, from the 2015/16 ESS data

Type of employer	All	Youth		
	Total (%)	Total (%)	Rural youth (%)	Urban youth (%)
Private company	23.93	25.81	20.90	27.40
Private individual	24.15	31.50	23.30	34.20
Government	43.66	37.40	45.70	34.70
State-owned enterprise	3.21	2.66	5.40	1.80
Church/religious organisation	2.90	1.30	1.50	1.20

Source Authors' own, based on data from CSA (2017).

in paid employment, which is close to the country's 10 per cent paid employment rate (CSA 2014). When the ESS data were disaggregated by location, and youth status, we found some interesting results. Only 2.9 per cent of the respondents in rural areas were engaged in paid employment; however, this rate was 12.5 per cent in small towns and 24.2 per cent in medium and large towns. According to the survey, 8.6 per cent of youths were in paid employment (3.3 per cent in rural areas and 18.2 per cent in urban areas). Table 3 shows that for the sample as a whole, 48 per cent of paid employment came from the private sector (both companies and individuals) and 47 per cent from the public sector (both government and state-owned enterprises). Fifty-seven per cent of the paid youths were employed in the private sector, with 44 per cent in rural areas and 62 per cent in urban areas. This suggests that the private sector is playing a critical role in reducing youth unemployment in Ethiopia.

Despite the importance of the private sector in terms of job creation, the average wage paid by the private sector is much lower than public organisations. According to the ESS data, the average pay per hour in the government sector was 32 birr, whereas the rate in the private sector was 15 birr. However, public sector employees had a higher level of education; for example, 4.5 per cent of the youth employed in a paid government role had only a primary education qualification, whereas this rate was 41 per cent in the private sector.

Finally, as the youth population is set to grow, and with 70 per cent of the youth living in rural areas, addressing key constraints, especially those related to land would be vital. Empirical evidence also suggests that landlessness among rural youth is increasing (Kosec *et al.* 2017; Bezu and Holden 2014). In fact, attracting youth into agribusiness requires addressing land-related constraints (AfDB 2016; Kosec *et al.* 2017; Bezu and Holden 2014). Even though Ethiopia's land tenure and inheritance laws guarantee equal land acquisition and use rights for all rural citizens wishing to engage in agriculture, youth typically

Table 4 Land ownership by age group, from the 2015/16 ESS data

Age group	% access to land
<15	0.07
Youth (15–29)	4.2
30–64	46
>64	93

Source Authors' own, based on data from CSA (2017).

rely on inheritance and informal rental markets to access land (Kosec *et al.* 2017; Bezu and Holden 2014). However, the average farm sizes of smallholders have declined over the last decade and relying on inheritance is becoming less feasible. In fact, only 3 per cent of young women in Ethiopia have access to land (Bezu and Holden 2014). Due to limited formal land market opportunities, the youth can neither buy nor rent land on a long-term basis from other farmers. Therefore, there is a vital need to address land market-related constraints. In fact, previous studies (e.g. Bezu and Holden 2014) have suggested that young people in Ethiopia abandon agriculture due to limited access to agricultural land. Similarly, Kosec *et al.* (2017) documented that youth's high expectation of land inheritance negatively affects rural–urban migration and employment in the non-agricultural sector. In particular, their results suggest that a 10 per cent increase in inheritance size reduces rural-to-urban migration and employment in the non-agricultural sector by 4.8 and 4.1 per cent respectively. Table 4 shows land ownership in Ethiopia by age group, based on the ESS data (CSA 2017). The data show that only 4.2 per cent of the youth own land. Therefore, institutional arrangements and land market reforms that improve youth's access to land are crucial, if youth are to be the drivers of agribusiness.

4 Conclusion and policy recommendations

The evidence presented in this article suggests signs of agricultural transformation in Ethiopia, in the form of both labour movement to more productive sectors such as manufacturing and services, and productivity growth through the creation of agribusinesses. In particular, labour productivity growth, especially within-sector growth, has been strong. However, modernising and improving the productivity of the sector needs to push forward as large productivity gaps remain when compared to the manufacturing and service sectors. High unemployment remains, despite the emerging transformation, especially in urban areas and among youth. The impact of agribusiness development on youth employment outcomes was positive – as agribusinesses have expanded and grown, more jobs have been created for the youth. However, it was found that the jobs created in such private enterprises were low-paying and less skill-intensive. There are also major barriers related to access to electricity and suitable land that

need to be addressed to ensure, firstly, that agribusinesses can continue to create jobs for young people and, secondly, that the youth are in a position to take them up. Inflexible land transfer and ownership processes have limited youth's access to land.

Based on these findings, we make the following policy recommendations:

Investment in infrastructure: A considerable number of jobs are being lost in the agribusiness sector due to infrastructure and power outages. Improving existing infrastructure and continued investment would make agribusinesses more competitive and reliable.

Improve productivity of existing and new agribusiness: Special agricultural cluster zones would create areas where different types of agribusiness are agglomerated into an area. This would facilitate marketing and distribution and improve the supply of infrastructure and electricity-related services, which are critical in increasing productivity.

Address the wage and skills gap: Since the jobs created in the agribusiness sector are largely low-paying and less skill-intensive, the following interventions could help to improve the pay for work in the private sector:

- Introducing minimum wages in the private sector;
- Unionisation of the workforce could improve the bargaining power of the youth for better wages;
- Provision of employment and skill services could reduce a mismatch between job seekers and suppliers. Improving the skill set of existing employees through on-the-job vocational training would also be crucial.

Improve the youth's access to land through policy reforms to support them to be drivers of agribusiness, including mechanisms that:

- Allow landowners to transfer their land use right to others, especially for the youth who wish to engage in agribusiness-related activities, by sale or in exchange;
- Relax restrictions on long-term rental markets.

In conclusion, as Ethiopia moves towards further privatisation, the government needs to launch an agribusiness strategy with the aim of exploiting the opportunities that may arise from agricultural and value chain transformations.

Notes

- * This issue of the *IDS Bulletin* was produced in partnership with Mastercard Foundation.
- 1 International Institute of Tropical Agriculture (IITA), Kenya.
- 2 Institute of Development Studies, UK.
- 3 Since our focus is on employment share, we focus on labour productivity instead of other productivity measures such as land productivity.
- 4 Calculated by weighting labour productivity in each sector by the labour share of each respective sector.
- 5 The focus of this article is not to examine the causes of this productivity gap but to understand the extent to which (1) such productivity gaps shape youth unemployment, and (2) labour productivity growth within the agricultural sector (however small it may be) affects the development of agribusiness (e.g. textile, flower, garment, and brewery companies, etc.).
- 6 Defined as the proportion of workers who are available and ready to work more hours.
- 7 <http://ehpea.com/GeneralInfo.aspx#medialink>.
- 8 The Ethiopian government designed the Micro and Small Enterprises Development Strategy in 2004. MSEs are those industries engaging fewer than ten persons and which use power-driven machinery.
- 9 Another sector that we could have considered would be the input supply sector (fertiliser and improved seed), but the public sector is still the main player here and data are not available on jobs created in this sector. However, as agricultural transformation has intensified in the country in the past few years, a significant number of jobs may have been created by the input sector.
- 10 The ESS data are collected by the Central Statistical Authority (CSA) of Ethiopia and the World Bank Living Standards Measurement Study-Integrated Surveys on Agriculture (LSMS-ISA) team. For this article, data from the 2015/16 survey round are used. These data contain detailed information from approximately 5,000 households. Of these, 66 per cent are from rural areas and 9 per cent from small towns.

References

- AfDB (2016) *Jobs for Youth in Africa: Strategy for Creating 25 Million Jobs and Equipping 50 Million Youth 2016–2025*, Abidjan: African Development Bank
- Ali, D.A.; Deininger, K.W. and Harris, C.A.P. (2017) 'Using National Statistics to Increase Transparency of Large Land Acquisition: Evidence from Ethiopia', *World Development* 93: 62–74
- Ayele, S.; Khan, S. and Sumberg, J. (2017) 'Introduction: New Perspectives on Africa's Youth Employment Challenge', *IDS Bulletin* 48.3: 1–12
- Ayele, S.; Mader, P. and Thorpe, J. with Gu, J.; Maestre, M. and Reed, P. (2016) *State–Business Relations Beyond Growth: Bringing in Development*, IDS Evidence Report 215, Brighton: IDS
- Bachewe, F.N.; Berhane, G.; Minten, B. and Taffesse, A.S. (2018) 'Agricultural Transformation in Africa? Assessing the Evidence in Ethiopia', *World Development* 105: 286–98

- Barrett, C.B.; Christiaensen, L.; Sheahan, M. and Shimeles, A. (2017) 'On the Structural Transformation of Rural Africa', *Journal of African Economies* 26.suppl 1: i1–i35
- Bezu, S. and Holden, S. (2014) 'Are Rural Youth in Ethiopia Abandoning Agriculture?' *World Development* 64: 259–72
- Blattman, C. and Dercon, S. (2018) 'The Impacts of Industrial and Entrepreneurial Work on Income and Health: Experimental Evidence from Ethiopia', *American Economic Journal: Applied Economics* 10.3: 1–38
- Broussar, N.H. and Tekleselessie, T.G. (2012) *Youth Unemployment: Ethiopia Country Study*, Working Paper 12/0592, London: International Growth Centre
- Christiaensen, L.; Demery, L. and Kuhl, J. (2011) 'The (Evolving) Role of Agriculture in Poverty Reduction: An Empirical Perspective', *Journal of Development Economics* 96.2: 239–54
- CSA (2017) 'Ethiopia Socioeconomic Survey 2015–2016, Wave 3', *World Bank*, <http://microdata.worldbank.org/index.php/catalog/2783> (accessed 13 August 2018)
- CSA (2015a) 'Statistical Report on the 2015 Urban Employment Unemployment Survey', *Central Statistical Agency*, www.csa.gov.et/component/phocadownload/category/98-ueues-2015 (accessed 13 August 2018)
- CSA (2015b) 'Report on Large and Medium Scale Manufacturing and Electricity Industries Survey', *Central Statistical Agency*, www.csa.gov.et/survey-report/category/56-lmmis-2014 (accessed 13 August 2018)
- CSA (2015c) 'Small-Scale Manufacturing Industries Survey', *Central Statistical Agency*, www.csa.gov.et/survey-report/category/269-ssis-2014 (accessed 13 August 2018)
- CSA (2014) 'Analytical Report on the 2013 National Labour Force', *Central Statistical Agency*, www.csa.gov.et/survey-report/category/34-nlfs-2013 (accessed 13 August 2018)
- Dercon, C. and Gollin, D. (2014) 'Agriculture in African Development: Theories and Strategies', *Annual Review of Resource Economics* 6.1: 471–92
- Diao, X.; Hazell, P. and Thurlow, J. (2010) 'The Role of Agriculture in African Development', *World Development* 38.10: 1375–83
- EHPEA (2018) 'Sector Information', *Ethiopian Horticulture Producer Exporters Association*, <http://ehpea.com/GeneralInfo.aspx#medialink> (accessed 13 August 2018)
- Evoch, C.J. (2012) 'Taming the Youth Bulge in Africa: Rethinking the World Bank's Policy on Technical and Vocational Education for Disadvantaged Youth in the Knowledge Economy', in C.S. Collins and A.W. Wiseman (eds), *Education Strategy in the Developing World: Revising the World Bank's Education Policy (International Perspectives on Education and Society, Volume 16)*, Bingley: Emerald Group Publishing
- Fox, L. and Thomas, A. (2016) 'Africa's Got Work to Do: A Diagnostic of Youth Employment Challenges in Sub-Saharan Africa', *Journal of African Economies* 25.suppl 1: i16–i36
- Gebremariam, E.B. (2017) 'The Politics of Youth Employment and Policy Processes in Ethiopia', *IDS Bulletin* 48.3: 33–50

- Gollin, D.; Lagakos, D. and Waugh, M.E. (2014) 'The Agricultural Productivity Gap', *Quarterly Journal of Economics* 129.2: 939–93
- Irz, X.; Lin, L.; Thirtle, C. and Wiggins, S. (2001) 'Agricultural Productivity Growth and Poverty Alleviation', *Development Policy Review* 19.4: 449–66
- Kosec, K.; Ghebru, H.; Holtemeyer, B.; Mueller, V. and Schmidt, E. (2017) 'The Effect of Land Access on Youth Employment and Migration Decisions: Evidence from Rural Ethiopia', *American Journal of Agricultural Economics* 100.3: 931–54
- Krishnan, P. (1996) 'Family Background, Education and Employment in Urban Ethiopia', *Oxford Bulletin of Economics and Statistics* 58.1: 167–83
- Ligon, E. and Sadoulet, E. (2018) 'Estimating the Relative Benefits of Agricultural Growth on the Distribution of Expenditures', *World Development* 109: 417–28, <http://dx.doi.org/10.1016/j.worlddev.2016.12.007> (accessed 13 August 2018)
- Losch, B. (2016) *Structural Transformation to Boost Youth Labour Demand in Sub-Saharan Africa: The Role of Agriculture, Rural Areas and Territorial Development*, Employment Working Paper 204, Geneva: International Labour Office
- McCullough, E.B. (2017) 'Labor Productivity and Employment Gaps in Sub-Saharan Africa', *Food Policy* 67: 133–52
- McMillan, M. and Rodrik, D. (2011) *Globalization, Structural Change and Productivity Growth*, NBER Working Paper 17143, Cambridge MA: National Bureau of Economic Research
- Moller, L.C. (2015) *Ethiopia's Great Run: The Growth Acceleration and How to Pace it*, Washington DC: World Bank Group, <http://documents.worldbank.org/curated/en/693561467988949839/Ethiopia-s-great-run-the-growth-acceleration-and-how-to-pace-it> (accessed 13 August 2018)
- O'Higgins, N. (2017) *Rising to the Youth Employment Challenge: New Evidence on Key Policy Issues*, Geneva: International Labour Office
- Ripoll, S.; Andersson, J.; Badstue, L.; Büttner, M.; Chamberlin, J.; Erenstein, O. and Sumberg, J. (2017) 'Rural Transformation, Cereals and Youth in Africa: What Role for International Agricultural Research?', *Outlook on Agriculture* 46.3: 168–77
- Schaefer, F. and Abebe, G. (2015) *The Case for Industrial Policy and its Application in the Ethiopian Cut Flower Sector*, EDRI Working Paper 12, Addis Ababa: Ethiopian Development Research Institute
- World Bank (2018) *World Development Indicators*, <https://data.worldbank.org/products/wdi> (accessed 13 August 2018)
- World Bank (2016) *5th Ethiopian Economic Update: Why So Idle? Wages and Employment in a Crowded Labor Market*, Washington DC: World Bank Group, <http://documents.worldbank.org/curated/en/463121480932724605/5th-Ethiopia-economic-update-why-so-idle-wages-and-employment-in-a-crowded-labor-market-draft-for-public-launch> (accessed 13 August 2018)