

**ETHIOPIAN INCLUSIVE FINANCE TRAINING AND
RESEARCH INSTITUTE**

**THE URBAN LABOR MARKET AND YOUTH
UNEMPLOYMENT IN ETHIOPIA: EXAMINING
CHARACTERISTICS AND IDENTIFYING CHALLENGES**

Addis Ababa, February 2015

Abstract

Urban youth unemployment is a serious macroeconomic phenomenon for most developing countries as it can lead to increase the risk of poverty, waste of productive resource, increase income inequality and social chaos. The Ethiopian government implemented various interventions to address the challenges of youth unemployment. Despite this, the youth are suffering from unemployment. The purpose of this study is, therefore, twofold. First, the paper investigates the urban labor market features in the context of the youth labor force in Ethiopia. Second, it studies the characteristics of the unemployed youth and examines the nature and challenges of youth unemployment. The study attests that the urban labor market, in general, and the participation of the youth in the urban labor market, in particular, showed improvement over the last one decade. However, labor market difficulties for young people are persisting in urban areas claimed by the recent low employment rate and high unemployment rate among the youth. In Ethiopia, urban youth unemployment is higher compared to the total urban unemployment rate and long-term urban unemployment is becoming a major concern for the country. Moreover, female youth are extremely suffering from urban unemployment and, more specifically, from long-term unemployment. The urban youth educational attainment witnessed improvement over the last one decade. However, the paper proves that highly qualified young people are also experiencing great difficulties of getting job in the urban labor market and direct entry into employment after-schooling is becoming tight. Further, youth female vulnerability to unemployment decreases as they are highly qualified. The finding also confirms that self-employment is the main job type that the unemployed youth are looking for. However, there exists an extended information asymmetry among the youth about the support programs for MSEs and lack of finance, lack of production equipment and lack of production and marketing places are expected challenges that can jagged the path to self-employment for the youth.

Keywords: Ethiopia, Youth, Urban labor market, Unemployment, Self-employment, Labor market challenges.