

Why closing the gender gap is vital to Ethiopia's youth self-employment programme

Like many countries in Africa, Ethiopia is predominantly young. Its cities reflect the youth bulge. The urban population in this sub-Saharan African country has more than doubled between 1990 and 2012, from about 6 million to 14 million. In 2012, the young people between the ages of 15 and 34 accounted for 43 % of the total urban population.

The public sector was once the country's biggest employer. Many young people still look to the government for jobs. But that situation is changing fast, with a steadily rising population and increasing number of job-seekers in the private labour market.

The future of employment expansion in Ethiopia is clearly with the private sector. The formal private sector is unable to absorb all the new entrants to the labour market. This has prompted the

Ethiopian government to encourage young people to start their own businesses.

In recent years, a series of government initiatives have been launched to promote entrepreneurship among the youth. The government's Micro and Small Enterprises (MSEs) sector development strategy focuses on expansion of technical and vocational education and training (TVET). This has the following four pillars:

- Technical/skills training in a chosen field;
- Technological acquisition;
- Business skills and entrepreneurship training; and
- Productivity improvement.

As part of MSE development, Microfinance Institutions (MFIs) are given the responsibility of financing MSE operators.

The research

A recent study, *Youth Self-Employment in Ethiopia: Promoting Micro and Small Enterprises (MSEs) Through Government Support Programmes*, reveals that this strategy has had a mixed impact. The study, supported by Canada's International Development Research Centre (IDRC), shows that while public policies on sustainable livelihoods have benefited millions of unemployed youth and helped them start their own enterprises, the interventions have not closed the gender gap in the labour market. Unemployment among the youth (15-29 years) is estimated to be 22.8%, with large disparities between male and female — 16.3% among males and 28.8% among females. As shown in Figure 1, gender gaps in employment start to emerge after about 24 years and seem to be widening with age. Large disparities are also found among those who have taken up self-employment – with young women disproportionately engaged in survivalist activities with low returns.

Clearly, the situation of young Ethiopian women looking for work or setting up their own businesses is of particular concern. The growth of female-owned enterprises is pivotal to reducing overall high unemployment rates as well as advancing sustainable livelihoods for all.

The research project used both primary and secondary data. Out of the 909 operational youth-

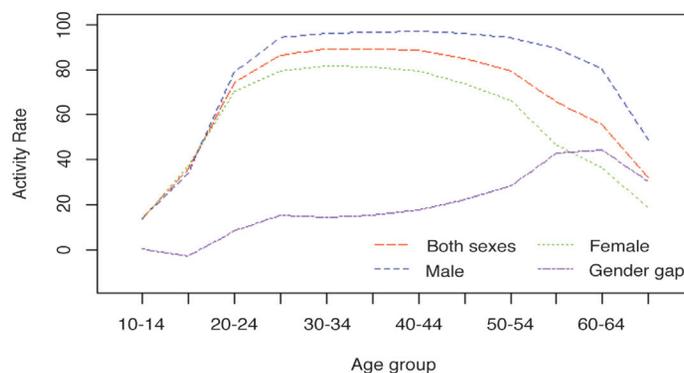
owned MSEs studied, 543 were microenterprises and 366 were small enterprises. To adequately understand and study the gender dimension, 153 and 57 women owners were sampled from micro and small enterprises, respectively.

The data collated by the researchers offers useful insights on the specific challenges of young women MSE operators and why they failed to benefit as much as men through the government support services.

Gender insights

As in many developing countries, Ethiopian MSEs face a number of constraints — access to credit, working premises, extension service, information provision, prototype development, preferential treatment and many others. But on top of these, women entrepreneurs have their unique set of challenges. Legally, men and women are equal in Ethiopia. But legal parity has not neutralised the socio-cultural barriers which prevent women from taking advantage of emerging opportunities — women still leave the job market more rapidly than men; once out of the workforce, their time goes towards shouldering multiple responsibilities on the domestic front. This makes their successful re-entry into the job market at a later stage much tougher.

Figure 1: Urban labour participation rate by age groups and gender in 2012



Source: CSA, 2012

How do these structural barriers play out in the field of self-employment?

The top three problems identified by young female and male MSE owners for the study were high collateral requirements of finance providers, lack of business premises and lack of access to credit. These challenges were common to female and male entrepreneurs.

But female-owned enterprises face specific extra challenges during both start-up and operational phases. These have their roots in prevailing cultural mores which discriminate against women. Dual roles as homemakers and mothers and limits on mobility often result in self-employed women not being able to access the necessary education, skill training or market information. This also leads to women entrepreneurs not being able to maximise the potential of their enterprises — while many women own and manage their own micro level businesses, few are successful in graduating their businesses to small, medium and large-scale enterprise levels. A stark fact leaps out — when women establish their own enterprises, they suffer from much higher failure rates than men do.

What characterizes female micro and small enterprise operators?

Low entrepreneurial drive — the study reveals that the majority of young women entrepreneurs are engaged in micro enterprises. More women than men indicated that they started their own business as a result of dire necessity, with no other options for survival. The study also reveals that those youth MSE operators who believe they are engaged in their dream project and have the skill to run a business (opportunity-driven) eventually register a higher survival rate in employment. However, those MSE owners who started their business as their last option of getting income

(necessity-driven) had the lowest survival rates. Unfortunately, women disproportionately filled the last category.

Low survival and growth trap — the growth rates of female youth-owned enterprises in Ethiopia are much lower compared to male youth-owned MSEs. For example, the male-owned microenterprises grew by 49%, while the female-owned microenterprises grew by 21%. Consistently, the study reveals that enterprises owned by women have higher risk of drop-out than enterprises owned by men. Research data suggests that part of the reason is female-owned microenterprises are concentrated in under-performing sectors or activities, which are less likely to expand or upgrade their businesses (See Table 1). The situation is better in the small enterprises sector. Out of the small enterprises owned by women, the highest growth was observed in textile and clothing (170%), followed by metal and woodwork (89%).

Other key factors that keep women MSE operators trapped in a low growth trajectory are poorer access to financial services and lack of ability to secure proper business premises, thus often restricting them to home-based businesses. This in turn prevents them from getting information on better economic opportunities and business assistance.

Other barriers are risk averseness and fear of being swamped by their male counterparts. This pushes many women entrepreneurs to engage in low risk and low return businesses. Consistent with the situation in many other countries, women in Ethiopia tend to cluster in a relatively narrow range of activities such as food processing, clothing, hairdressing, selling milk, yogurt or vegetables from roadside market stalls.

The study speaks of gender biases in the technical training support which ends up confining women to relatively risk free businesses where there is ease of entry but limited opportunities.

In sum, the slower growth and higher drop-out rate of female-led enterprises in Ethiopia can be attributed to the following factors:

- Low level of business knowledge and skills;
- Limited financial sources at the start-up and for expansion;
- Lack of confidence to venture into better paying enterprises;
- Lack of premises for production and selling;
- Limited mobility affecting access to information and market outlets;
- Bureaucracy; and gender based discrimination.

Table 1: Engagement of the youth MSE owners by sector, size and gender (%)

Sectors	Micro				Small				Whole sample
	Female	Male	Mixed	Total	Female	Male	Mixed	Total	
Food and food products	13.73	1.56	6.72	6.26	33.33	0.93	8.42	10.11	7.81
Metal and woodwork	4.58	41.80	32.09	28.91	7.02	50.47	22.77	28.42	28.71
Leather and leather products	0.65	1.56	2.24	1.47	1.75	0.93	1.49	1.37	1.43
Textile and clothing	13.07	4.30	1.49	6.08	15.79	3.74	4.95	6.28	6.16
Construction	2.61	17.97	23.88	15.10	7.02	25.23	31.68	25.96	19.47
Urban agriculture	15.69	6.64	9.70	9.94	10.53	0.93	12.38	8.74	9.46
Trade	23.53	9.77	10.45	13.81	1.75	2.80	4.95	3.83	9.79
Services	22.22	8.98	7.46	12.34	10.53	8.41	4.46	6.56	10.01
Others	3.92	7.42	5.97	6.08	12.28	6.54	8.91	8.74	7.15

Source: Field data, 2014

Utilization of support services

Access to finance

A relatively lower proportion of females applied for loans compared to males, both among the micro and small enterprise operators.

This is significant in light of the fact that lack of

collateral (52%), high interest rate (21%) and bureaucratic procedures (42%) were the major factors that inhibited MSEs from applying for MFI (microfinance institution) loans (See Table 2). Difficulties entailed in the borrowing process and costs to borrowing seem to be particularly challenging for women.



Table 2: Reason for not applying for loan from MFI (in per cent)

Reason for not applying	Micro				Small				Whole sample
	Female	Male	Mixed	Total	Female	Male	Mixed	Total	
Did not need any credit	21.74	24.60	19.35	22.53	16.67	34.38	28.97	28.50	24.58
Do not know where to go	7.02	10.16	6.45	8.38	11.11	9.38	12.26	11.17	9.33
Inadequate collateral	53.51	55.08	56.99	55.08	50.00	42.19	45.28	45.15	51.67
Do not want to incur debt	13.04	10.16	7.53	10.38	8.33	12.50	7.55	9.22	9.98
Borrowing process is too difficult	40.35	44.39	49.46	44.42	30.56	40.63	36.79	36.89	41.83
Did not think I would get one	7.02	9.63	7.53	8.38	5.56	12.50	6.60	8.25	8.33
Interest and other costs too high	21.74	16.04	29.03	20.76	30.56	18.75	20.75	21.84	21.13
Afraid I may not be able to repay	18.42	9.09	6.45	11.17	5.56	4.69	5.66	100.94	9.17
Already heavily indebted	4.39	1.60	3.23	2.79	8.33	3.13	0.94	2.91	2.83
Other reasons	6.03	5.85	3.23	5.29	2.70	4.69	5.61	4.81	5.12

Source: Field data, 2014

Access to training

There were no differences in the growth rate between the youth-owned MSEs who accessed training and those who didn't receive training before start-up.

However, the growth rate of female MSE owners who accessed training after start-up was relatively low compared to male MSE owners.

There is little gender-disaggregated data about the quality and utilization of training provided by the government support services. But the study suggests that in many instances the training was inadequate.

Business extension, counselling and support services

Aiming to provide competitive advantage for entrepreneurs through professional business information provision and material assistance, the

business extension and counselling service were provided for nearly 4 million MSE operators in the year 2011-2014. Available data suggests that only 29% of the MSEs have been able to receive such support. Although gender disaggregated information is lacking, our study suggests potential gender gaps.

Nearly 70% of the MSEs that received support reported significant enhancements in production capacity. However, male operated MSEs had higher capacity enhancement than female operated enterprises. The reason could be that male operated firms were better organized and had higher market linkages that could enable them to use more of their capacity. In all sectors, most MSE operators believed that they operated at 50-74% of their capacity. This points to the fact that enterprises are under producing and there is a room for improving their production capabilities.



Technology

About 35% of the MSEs which received government support services in the last three years used modern technologies as compared to 22% of the respondents who did not receive any type of support. Gender-disaggregated data on the use of technology shows that male MSE owners had better access to modern technology (34%) compared to their female counterparts (23%). The fact that women remain behind in using modern technology indicates that men were more likely to receive training on the use of technology and were also able to afford modern technologies.

Strategic Business Management activities

Strategic thinking and systematic decision-making are solely responsible for the failure and success of SMEs. The study reveals that marketing and financial management does appear to be an important factor for MSEs' survival. For example, external market linkage has a significant positive association with the probability of business survival, suggesting that MSEs operating under linked marketing environment have less drop-out risk. Moreover, a less costly and internal source of financing i.e. retained earnings, is a key factor of MSEs survival since access to external formal source of financing is a major challenge for MSEs in Ethiopia. Similarly, the findings prove that the survival of MSEs is highly associated with the inventory management system of the business. Nearly 74% of the sample youth owned MSEs (86% for small enterprises and 66% for microenterprises) used accounting system. However, the data reveals that women youth entrepreneurs are not utilizing or not familiar at all with strategic business management skills. For example, more male owned MSEs used a proper accounting system compared to their female counterparts; male owners (25%) kept inventory

of inputs and managed their production better than female operators (18%).

Networks

About 25% of the youth owned MSEs reported that they have had, in one way or another, some links with other similar enterprises. Moreover, most of the youth MSE operators indicated that they were members of Iqub (traditional rotating saving associations) and Idir (burial societies). However, compared to male entrepreneurs, women entrepreneurs networked less with other enterprises and engaged in Iqub and Idir.

Key takeaways

Given Ethiopia's youth bulge and the inability of the public sector and the formal private sector to absorb the rising number of job-seekers, entrepreneurship would necessarily play a vital role. Government programs aimed at supporting youth self-employment can be fully effective only if they take into account the special needs of female entrepreneurs who are lagging behind. Women starting or operating micro and small enterprises entrepreneurs should be given additional help to set up and run their businesses. This can only happen if government support and initiatives which are already in place are expanded.

A key takeaway from the study is that enterprise-support programs for young women need to be informed by a sound grasp of the barriers that hold young women back. The unemployed youth in Ethiopia are heterogeneous. Unemployed women have specific challenges and characteristics which are different from their male counterparts. As our study revealed, self-employed young women also lag behind that of men in terms of growth. There is a need to design and implement tailored support programmes to address the specific needs of unemployed young women who want to start a

business and to help enhance the productivity and growth of self-employed women.

For example, the technical, vocational and education training (TVET) centres do provide marketable skills. However, there is a dire need to improve the quality of training to enhance the entrepreneurial skills of women.

There is also a need to integrate entrepreneurial training modules into the education system of the country at all levels. Such modules should take into account the societal challenges that young women

who want to start their own businesses still face.

Another key takeaway is the need to improve access to labour market information and to information about government programmes promoting youth entrepreneurship. There is insufficient awareness among the unemployed youth about government support programmes for youth entrepreneurs, and more so among young women. Addressing this information gap will be an important step to ensure that young boys and girls take advantage of public support services.



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