

THE NATURE AND EXTENT OF UNEMPLOYMENT IN ETHIOPIA

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BACKGROUND

Today, the problem of unemployment has emerged as the most striking symptom of lack of development in almost all developing countries and the problem has reportedly concentrated among the educated youth.

In part, this concentration of unemployment among the younger age groups reflect the disproportionate number of younger persons within a population which is in turn a result of the rapid rate of population growth and hence the labour force¹. Another explanation for the high proportion of young persons among the unemployed is the rapid expansion of education which prompts a large number of school-leavers to aspire to an urban wage-earning jobs far in excess of the number of opportunities available.

As an ILO report shows, the problem of unemployment in developing countries is in reality a range of related problems, some more serious and some less serious. The most important dimensions of these problems that are commonly cited are: (i) the shortage of job-opportunities; (ii) the under-employment and under-utilization of labour, in addition to open unemployment; and (iii) the attitudes and job expectations, particularly amongst the young and educated, which are often sharply at variance with the work available (Jolly, et al, 1973).

It has also been argued that, by most of these measures, the proportion of the labour force, which is severely affected by the problem of total unemployment, greatly surpass the percentage of openly unemployed in developing countries.

In light of the above general background, the paper attempts to:

- (i) examine the overall state of unemployment in Ethiopia, i.e., the nature and extent of unemployment in the country for the period 1984 to 1994 ;

¹ Strictly speaking, the rate of growth of population and labour force may not be the same for the reason that, a factor that affects one may not influence the other to the same degree or it may not even influence it at all.

- (ii) classify unemployment by type and bring out the policy implications of each (as observed from the employment exchange information);
- (iii) suggest suitable policy measures aimed at alleviating the problem at hand.

Source and Limitation of Data

The data used in the paper are secondary ones, obtained from two major sources: viz, the 1984 and 1994 Population and Housing Census carried out by the Central Statistical Authority (CSA) and the Employment Exchange Information obtained from the Ministry of Labour and Social Affairs (MoLSA).

It must be stated from the outset that the level of unemployment has not been reported accurately in Ethiopia due to the fact that various bodies involved in generating the information apply different methodologies in collecting the data leading, thereby, to different information, which are neither comparable nor complementary.

CSA provides information on the level of unemployment (for both urban and rural areas) of the country which is captured through the national population and housing census. The Ministry of Labour and Social Affairs, on the other hand, regularly registers the unemployed job-seekers through Employment Exchange Offices, which are located in some of the towns of the country.

The difficulty in using the unemployment information provided by the above specified two organizations is that the scope of coverage, time reference and methodologies used by CSA and MOLSA are at variance. This implies that there is no coordination and networking between the two organizations in generating the unemployment information, as a result of which, information gaps or duplication of efforts can take place.

From the above, however, one should not conclude that the unemployment information provided by CSA and MOLSA are to be discarded. They are rather good starting points for further exploration in the area of unemployment. But it is important to keep in mind that the unemployment information provided by CSA and MOLSA do not provide the real or complete picture of the problem in the country. This is so, because, CSA's information on unemployment is marginally captured by the census (as the census focuses on various issues) and MOLSA's information on the same is limited only to some of the urban areas of the country.

With the above general background, the paper is organized in three parts. Part one presents the overall state of unemployment by its different characteristics (i.e., rural/urban, male/female, age, education, etc.) in Ethiopia. Part two attempts to classify unemployment by its type and brings out the implication of each. The third and final part of the paper tries to delineate the policy implications of the study.

1. THE NATURE AND EXTENT OF UNEMPLOYMENT

The problem of unemployment is an alarming issue in Ethiopia. The nature and magnitude of the problem varies from urban areas to the rural and from one category of the population to the other.

The estimate of unemployment and other related population variables obtained from the Census results of CSA for the period 1984 and 1994 are given in Annex 1. As can be observed from Annex 1, the level of unemployment has increased from 169,621 in 1984 to 779,522 in 1994 at the national level. The problem is observed to be more serious in the urban areas than in the rural setting. While the level of unemployment has increased five-fold between 1984 and 1994 in the urban areas, it has increased only three fold in the rural areas for the same period.

A further look at the incidence of unemployment by sex, from Annex 1 shows that in urban areas the rate of unemployment for females was 9.49% while it was 6.84% for their male counterparts in 1984. The corresponding rates of unemployment in 1994 were 24.21% for females and 20.51% for males. This implies that females were more affected by the incidence of unemployment than their male counter-parts over the time period being investigated. However, a significant difference in the incidence of unemployment is not observed between males and females in the rural areas.

Looking at the data disaggregated by education provides an interesting picture of the problem. The data in Annex 2 reveals that 46.11% of the unemployed were illiterate, followed by the 12th grade (16.79%) and grade 1-3 (13.95%) in 1984. Although the overall incidence of unemployment has increased significantly in 1994, the problem was more pronounced on the 12th grade job-seekers and the illiterate. Furthermore, the problem was more serious among the educated unemployed in the urban labour market. Out of the total number of unemployed in 1984, 30% was accounted for by the illiterate and the remaining 70% by the educated unemployed out of which the lion's share constituted a single grade, i.e., the 12th grade job-seekers.

The rank of unemployment in 1984 for the specified groups has dramatically changed its magnitude in 1994 in the sense that, the 12th grade job-seekers accounted for 24.36% and the illiterate for 35.87%. This implies that unemployment has been creeping up the education ladder over the time period being considered.

Looking at unemployment in terms of age groups (see Annex 3), the highest incidence of unemployment was experienced by the youth (43.14%) followed by adult job-seekers (41.36%) in 1984 and these rates were in the order of 51.62% and 39.94% in 1994, respectively. It can also be observed from Annex 3 that it was the youth who were severely affected by the problem of unemployment over the time period being reviewed. The possible justification for the severity of the problem of unemployment among the youth is that this very group has no sufficient work

experience and is not equipped with the necessary skills that put them in a better position to compete with the more experienced ones in the labour market.

The problem of youth unemployment is not expected to get better in the near future. Given the projected population of the country for five years (1995-2000) by CSA, one may go a step further to estimate the corresponding level of the urban and the rural population aged 10 and above and the economically active population, under the following assumptions to look at the new additions to the labour force.

- (i) the proportion of the urban and rural population aged 10⁺ to their respective total population in 1994, which is, 0.76 and 0.68, respectively, will hold;
- (ii) the proportion of economically active urban and rural population to their respective total population aged 10⁺ in 1994, which is, 0.50 and 0.76, respectively, will hold, and
- (iii) the rate of unemployment which is 22.03% for urban and 0.7% for rural in 1994 are less likely to change significantly for the period of the population projection.

Therefore, on the basis of the above assumptions, the estimates of the required population variables of the country for five years is given in Table 1, below².

Table 1. Projected Rural and Urban Labour Force (population aged 10 years and above and economically active) /1994-2000/ [In ' 000]

Year	Rural		Urban	
	Population 10 ⁺	Econ. Active Population	Population 10 ⁺	Econ. Active Population
1994	31,309	23,858	5,586	2,780
1995	32,002	24,322	5,766	2,883
1996	32,927	25,024	6,042	3,021
1997	33,865	25,738	6,319	3,160
1998	34,810	26,455	6,605	3,303
1999	35,767	27,183	6,896	3,448
2000	36,735	27,918	7,199	3,600
Average annual rate of growth of economically active population		2.7		4.4

As can be observed from the above Table, the average annual rate of growth of the rural economically active population is 2.7%, and that of the urban is 4.4% (1995-2000). This

² Similar method has been used by Prof. Teshome Mulat, in his Paper: Public Sector Retrenchment, the Ethiopian Case, which was presented in the 3rd Biennial Meeting of African Employment Planners, Arusha (Tanzania) 30 Nov-4 Dec 1992.

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implies that the urban labour force is expected to increase more rapidly than the rural over the time period being considered.

The implication of the above projection, however tentative it may be, is that, between 1995 and 2000, some 676,800 and 136,600 persons will enter the rural and the urban labour markets every year, respectively. Therefore, the absorption of this labour force into productive employment is a challenge for the country's economy.

In summary, the problem of unemployment has been more significant in urban areas than in the rural areas. A gender-wise observation of the problem indicated that females were more affected by the incidence of unemployment than their male counterparts. An age-wise look at unemployment showed that the highest incidence of unemployment was experienced by the youth (15-24) followed by adult job-seekers (25⁺). Furthermore, an observation of unemployment data disaggregated by level of education indicated that those who completed 12th grade were significantly affected by the incidence of unemployment.

As can be observed from Table 1 above, the trend of economically active population is likely to increase significantly between 1994-2000 implying that the economy has to grow with the same pace as that of the labour force, during the same period, if at least the 1994 level of unemployment is to be maintained.

2. CLASSIFYING UNEMPLOYMENT BY TYPE IN THE ETHIOPIAN LABOUR MARKET

For both analytical and policy purposes, it has frequently been suggested that one need to distinguish among various types of unemployment. To be useful, a classification of unemployment needs to satisfy two main conditions. First, it should be based on clearly defined objective criteria to avoid arbitrariness and inconsistency in the process of measurement, and second, it should lend itself to the possibility of measurement.

The common approach in the literature is to classify unemployment either on 'causal' (ex-ante) basis or on a 'cure' (ex-post) basis. Both schema distinguish between demand-deficient, structural and frictional unemployment, among others (Thirlwall, 1969).

Demand-deficient unemployment is said to exist when aggregate expenditures in an economy are inadequate to generate employment for all those who are willing to take up jobs at the going wage rate³. If however, the demand for labour is not deficient but

³ It has to be noted, however, that there can be no guarantee if aggregate expenditures increase, demand deficient unemployment will fall by exactly the same proportion. It all depends on the type of labour demanded in relation to the skills acquisition of the unemployed labour force.

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is equal to the supply of labour available, any unemployment existing in such a situation is commonly referred to as frictional, arising from the fact that it takes time for workers to find new jobs, so that, the presence of search (information) costs, imperfect mobility of labour, etc, have proved the co-existence of job-vacancies and unemployment.

Structural unemployment is different in kind and origin from frictional unemployment. Whereas the latter arises due to lack of labour market information, the former arises due to the inability or the failure of labour to adopt to changes in technology and changing demand. Structural unemployment becomes concentrated for a long period of time among specific occupational groups in particular areas while, elsewhere, employers are seeking to employ workers but of a different type with different qualifications.

Therefore, the amount of frictional unemployment depends on how smoothly the labour market functions, and the amount of structural unemployment, on the other hand, depends upon how the skills, experiences and qualifications of redundant workers match the specifications of available jobs; how willing and able the unemployed workers are to change their residence and occupations; how adequate the facilities are available for retraining and how flexible the education system is, and how rapidly certain jobs are being destroyed through economic change.

It may be pointed out that structural unemployment, compared to other types of unemployment, is more important in the context of economies operating at their full capacities and undergoing frequent technological changes.

A question has normally been posed on how one type of unemployment can systematically be distinguished from the other types. In this regard, Perlman, in his discussion of the relationship between aggregate unemployment, structural unemployment and job-vacancies, suggests that there exists a simple way by which structural unemployment and frictional unemployment can be disentangled. He points out that the key to identify the structurally unemployed persons lies in the sectors in which labour is in short supply and not in a count of the unemployed job-seekers themselves. To explain this point, Perlman introduces a concept, Structurally Over-employed Counterpart (SOC). This concept may be explained as follows. Assume that certain number of job-seekers are attached to a particular trade or occupation, say a clerical job. Any number of job-vacancies that do arise in the clerical occupation will then be purely frictional, provided that unemployment (U) equals vacancies (V) for that occupation. Thus, for the i th occupation if $U_i > V_i$, all vacancies are frictional, that is, matched by the frictionally unemployed persons-and the excess of unemployed over vacancies ($U_i - V_i$) contributes either to structural or demand-deficient unemployment. However, if this excess is to contribute to structural unemployment, then, there must exist other occupations where unfilled vacancies exceed the number of unemployed. These are the occupations that Perlman calls the SOC.

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For any SOC, the amount by which vacancies exceed unemployment measures the maximum contribution of that SOC to structural unemployment. The full value of this excess will be counted provided that it is matched by a similar amount of excess unemployment over vacancies for other occupations. Therefore, the amount of structural unemployment (U_s) may be given by $(V_i - U_i)$ for all SOC occupations, provided that $(V_i - U_i)$ for all SOC $\leq (U_i - V_i)$ for all non-SOC occupations, i.e., provided that total vacancy is less than or equal to total unemployment ($V_T \leq U_T$).

Therefore, by applying Perlman's concept of SOC, one can obtain estimates of the structural and frictional unemployment existing at any level of aggregate labour demand.

When $V_T > U_T$, $\sum (V_i - U_i)$ for all SOC occupation will be greater than $\sum (U_i - V_i)$ for all non-SOC occupation. Thus, excess supply in labour surplus occupations in such a situation measures the extent of structural unemployment, i.e.,

$$U_s = (U_i - V_i) \text{ for all non-SOC} \dots\dots\dots [1]$$

Conversely, when $U_T > V_T$, $\sum (U_i - V_i)$ for all SOC occupations will be less than $(U_i - V_i)$ for non-SOC, which implies,

$$U_s = \sum (U_i - V_i) \text{ for all SOC} \dots\dots\dots [2]$$

Once Perlman's concept of measuring structural unemployment is grasped fully, frictional unemployment can easily be worked out. When $V_T \geq U_T$, all unemployment that exists is either frictional or structural. Thus, if U_s is known (applying SOC concept), then U_f can be calculated as a residual, i.e.,

$$\begin{aligned} U_f &= U_T - U_s, \\ \text{Or } U_f &= U_T - \sum (U_i - V_i) \text{ for all non-SOC} \dots\dots\dots [3] \end{aligned}$$

When $U_T > V_T$, some unemployment will be attributable to a demand deficient type of unemployment and no vacancies will remain unfilled because of excess supply of labour; all vacancies, on the other hand will be either frictional or structural, i.e.,

$$\begin{aligned} V_T &= U_f + U_s, \\ \text{or } U_f &= V_T - \sum (V_i - U_i) \text{ for all SOC} \dots\dots\dots [4] \end{aligned}$$

Perlman's concept of SOC occupations and its usefulness in measuring different types of unemployment (structural, frictional and demand-deficient) can be explored with the help of the following illustrative examples.

Suppose that in a hypothetical economy, there are five occupations and the number of unemployment and job-vacancies reported for each occupation is given as presented in the following table.

Table 2: Unemployment and Job-Vacancies by Occupation in a Hypothetical Economy (when $U_T > V_T$)

Occupation	U_i	V_i	$(V_i - U_i)$ (for all SOC)	$(U_i - V_i)$ (for all non - SOC)
Administrator	3	8	5	-
Clerical Worker	7	4	-	3
Salesman	3	3	-	0
Service Worker	9	5	-	4
Labourer	8	3	-	5
Total	30	23	5	12

From Table 2 above, it appears that, U_T exceeds V_T and Perlman's SOC occurs only in the occupation of Administrator (the only occupation where $V > U$). By implication, all other occupations are non-SOC. Therefore, what is required is that, one has to calculate the $(V_i - U_i)$ for all SOC, sum up and do the same for $(U_i - V_i)$ in the category of non-SOC as it appears in the last two columns of Table 2. Therefore, what one has obtained is $\sum(V_i - U_i)$ for all SOC which is 5, and $(U_i - V_i)$ for all non-SOC which is 12, satisfying the condition that $\sum(V_i - U_i)$ for all SOC $< \sum(U_i - V_i)$ for all non-SOC, according to the condition stated in equation 2 above.

Hence, the full value of $\sum(V_i - U_i)$ which is 5, in this case, is taken as the amount of structural unemployment. Since U_F being a residual, after deducting U_S from V_T (according to eqn. 4), U_F amounts to $(23-5)$ 18 and of course, demand-deficient unemployment $(U_T - V_T)$, which, in this case, $(30-23)$ is 7 in our hypothetical economy.

Next, consider the reverse of the above case (i.e., $V_T > U_T$) as presented in the following table.

Table 3. Unemployment and Job-Vacancies by Occupation in a Hypothetical Economy (when $U_T < V_T$)

Occupation	U_i	V_i	$(V_i - U_i)$ (for all SOC)	$(U_i - V_i)$ (for all non-SOC)
Administrator	2	5	3	-
Clerical Worker	4	6	2	-
Salesman	3	3	0	-
Service Worker	5	10	5	-
Labourer	8	6	-	2
Total	22	30	10	2

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From Table 3, one may observe that U_T falls short of V_T in our hypothetical economy. From the Table, it appears, therefore, that $\sum(V_i - U_i)$ for all SOC exceeds $\sum(U_i - V_i)$ for all non-SOC - the condition that is satisfied for measuring U_S according to equation 1 above. Accordingly, $U_S [= \sum(U_i - V_i)$ for all non-SOC is 2, and $U_F [= U_T - U_S]$ is 20, and of course, U_{DD} is zero, since $V_T > U_T$.

Henceforth, one can proceed to measure different types of unemployment for different cases in any type of economy as illustrated above.

The amount of unemployment existing when aggregate unemployment (U_T) is just equal to aggregate job-vacancies (V_T) is the non-demand deficient unemployment. If the actual level of unemployment falls below this amount, then we have excess demand for labour ($V_T > U_T$) which is described as one of 'negative' demand-deficient unemployment (Thirlwall, 1969).

Given the composition of unemployment, total vacancies (V_T) could be split into those which are of the right type (V_R) and those which are of the wrong type (V_W)⁴ to absorb the unemployed. Taking the extreme cases, if all vacancies exactly match the characteristics of the unemployed, then all non-demand-deficient unemployment would be frictional unemployment; if on the other hand, there is no matching at all between all non-demand-deficient unemployment and all the vacancies, then all the non-demand-deficient unemployment would be structural unemployment.

Using the unemployment and vacancy data, Thirlwall attempted to measure the non-demand-deficient unemployment (i.e structural and frictional) that prevailed in Great Britain during the period 1949-66.

Huges (1972) went a step further to classify unemployment into its various types by making use of vacancy statistics for the British economy during 1958-72. It was by exploring Perlman's concept of SOC occupation (discussed above) that Huges succeeded in his empirical work.

In the remaining of this section, attempt is made to classify unemployment in Ethiopia by type (using the labour market information i.e., registered job-seekers by different occupations and the corresponding job-vacancies reported, which is obtained from the Ministry of Labour and Social Affairs) and analyze the significance and trend of each type of unemployment during the period 1982/83 - 1996/97.

From the chart (which reveals the trend of the registered job-seekers and vacancies reported), it turned out that the number of registered job-seekers outstripped the number of vacancies over the time period 1982/83-1996/97. A look at the same chart

⁴ According to Thirlwall (1969), a 'right' type of vacancy is a vacancy which exactly corresponds with the characteristics of non-deficient unemployment, and a 'wrong' type of vacancy, on the other hand, is the one that doesn't match at all with characteristics of non-demand deficient type of unemployment in an economy.

reveals that both the number of registered job-seekers and the vacancies reported have, on average, been declining over the time period considered. However, the former has increased between 1990/91 and 1991/92 and both of the variables have been declining thereafter.

The plausible justification for the decline of the former (particularly in the urban areas where the employment exchange offices are available) is attributed to the so-called 'discouraged job-seekers', i.e., some of the unemployed were not interested to get registered at the employment exchange offices. The most likely reason is that a mere registration does not guarantee any form of employment or it does not secure any benefit (e.g. unemployment benefit) for them. Furthermore, a decline in the number of registered job-seekers over the period of time can partly be explained by the fact that some job-seekers may fail to provide a letter from their kebeles (where they reside) which confirms that they are not employed (at the time of registration) as this is usually required by the employment exchange offices.

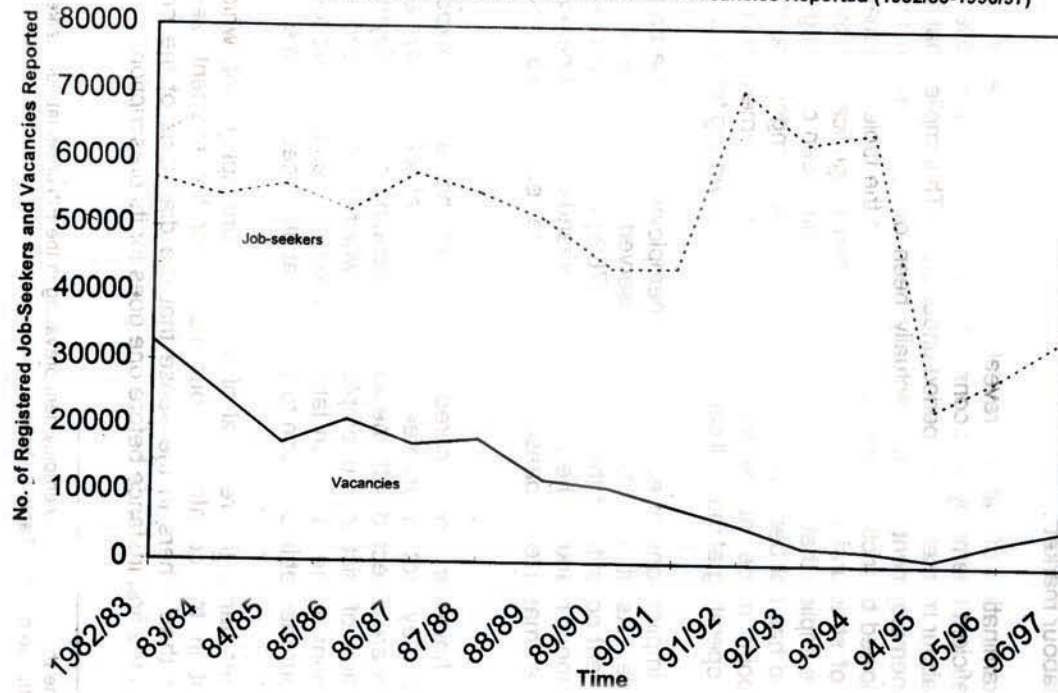
The reason for the decline of the available vacancies, on the other hand, lies in the fact that the present Labor Proclamation No. 42/93 gives liberty to employers to select and recruit manpower of any category they need through any suitable means in light of the free labour market system as opposed to the earlier one which obliges employers to report any vacancy available to the employment exchange offices. Therefore, it is only when the employment exchange offices are found helpful for employers in recruiting the appropriate workforce that the vacancies are reported to these offices.

Be that as it may, one should not arrive at the conclusion that the level of unemployment has actually exceeded the number of vacancies over the time period observed, merely on the basis of the information provided in chart 1. The reason is that, there may be certain occupations in which vacancies available may outstrip the number of job-seekers/unemployed (the case of structural unemployment). Therefore, such general conclusion may be misleading in the sense that, one has to know the type of unemployment (whether it is structural, frictional or demand-deficient) to be considered for each type calls for different policy measures.

Furthermore, while attempting to figure out different types of unemployment, the labour market information may be disaggregated by gender, or can be treated as an aggregate figure. The implication is that, if the former approach is followed, the number of overall (male plus female) structural unemployment would be over-stated and the level of frictional unemployment would be under-stated. This is so because, the approach of treating the two markets (the female labour market and the male labour market) separately assumes that although some male and female job-seekers might have got equal qualifications in certain occupations, still they can not compete on equal footings for that post, so that an artificially high number of structural unemployment is created in both markets, thereby overstating the overall picture of structural unemployment and understating the number of frictional unemployment.

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Chart 1: The Trend of Registered Job-Seekers and Vacancies Reported (1982/83-1996/97)



On the other hand, if the two markets are treated as an integral part, then the number of structural unemployment would be understated and the frictional unemployment would be overstated. In this case, the implication is that male and female job-seekers with the same qualifications can compete on equal footings.

In the context of the Ethiopian labour market, therefore, it was found appropriate if both male and female labour markets are treated as an integral market rather than as a segmented ones in revealing the state of the country's labour market.

With the above background, therefore, an attempt is made to estimate the three types of unemployment (demand-deficient, frictional and structural) prevailing in the Ethiopian labour market⁵.

A close examination of Table 4 reveals that, on average, the structural, frictional and demand-deficient unemployment constitute about 1%, 23% and 76%, respectively in the Ethiopian labour market, for the period under study. This implies that it was the demand-deficient unemployment that has actually been overwhelming in the country's labour market, followed by frictional unemployment. From the table, one may observe that the proportion of structural unemployment has been insignificant in the Ethiopian labour market. This implies that the Ethiopian economy has been operating at less than its full capacity and has not been undergoing technological changes, and this is in conformity with the point made above that, structural unemployment is more important in economies operating at their full capacities and experiencing technological changes.

The policy implications of each type of unemployment may be brought out from the above table. As it can be clearly observed from Table 4, demand-deficient unemployment constituted the lion's share (76%) of the overall unemployment in the country's labour market. The reduction of demand-deficient unemployment requires, therefore, a massive expansion of aggregate expenditure (investment) in the economy.

It may be, however, underscored at this point that a mere expansion or a huge investment may not guarantee a desired level of employment unless these investments are selected with the aim of generating more employment opportunities. The reduction of frictional unemployment, which is the second important type of unemployment in the Ethiopian labour market, demands an up-to-date and regular flow of labour market information to its users at all places and time.

On the other hand, the removal of structural unemployment, which may be found insignificant in the country's labour market for the moment, seems to be more painstaking than others in the sense that the diagnosis of the problem has to be identified in the first instance before one goes for its prescription.

⁵ Note that the three types of unemployment prevailing in the Ethiopian labour market are computed in line with the illustration given in Table 2 above.

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Table 4. The Trend of Unemployment by Type in the Ethiopian Labour Market (1982/83-1996/97)

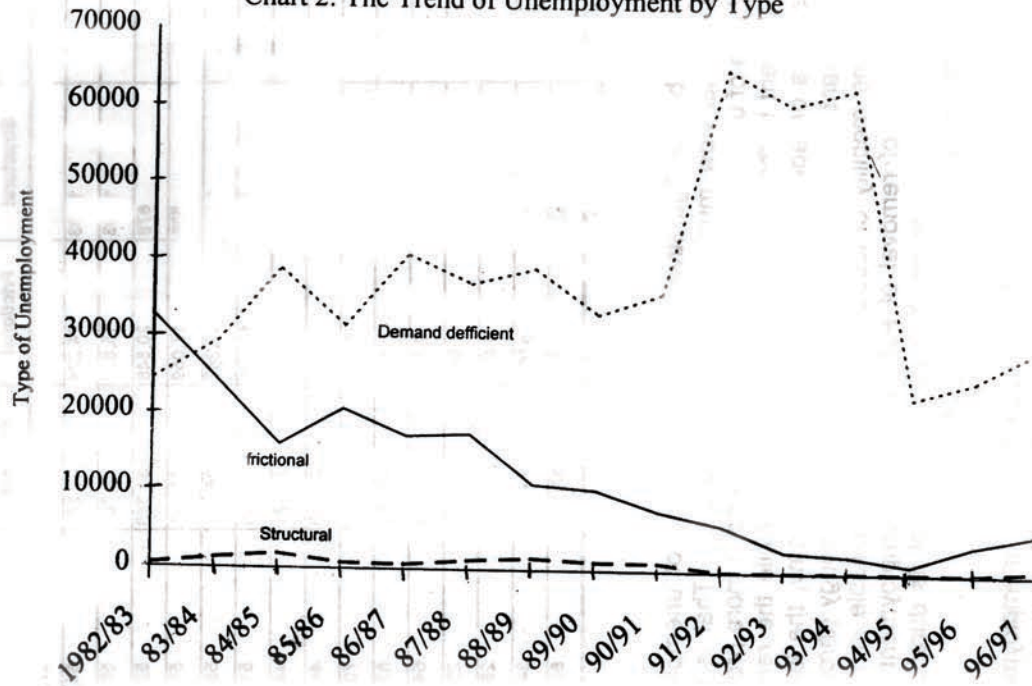
Year	Type of Unemployment			Total
	Structural	Frictional	Demand-deficient	
1982/83	392	32,448	24,368	57,208
83/84	1,193	24,224	29,275	54,692
84/85	1,793	15,872	38,708	56,373
85/86	678	20,548	31,368	52,594
86/87	536	17,059	40,641	58,236
87/88	1,085	17,367	36,838	55,288
88/89	1,448	10,896	38,986	51,330
89/90	1,001	10,233	32,974	44,208
90/91	984	7,540	35,789	44,313
91/92	0	5,835	65,027	70,862
92/93	4	2,604	60,333	62,941
93/94	7	2,132	62,543	64,682
94/95	0	950	22,503	23,453
95/96	0	3,523	24,812	28,335
96/97	455	5,038	29,076	34,569
Average	638	11,751	38,216	50,606

Source: Computed from Annex 4.

Therefore, it may not be the figurative share of each type of unemployment that matters much, but rather how much its removal would cost. That is to say, that demand deficient type of unemployment, for instance, has been more prominent than structural unemployment in the Ethiopian labour market. While the removal of the former merely depends on adequate investment in an economy, the latter requires the flexibility of redundant labour to adapt to changes in technology (through training/retraining), and the free mobility of labour to match jobs available in an economy. This implies that the cost of removal of each type of unemployment need to be considered not only in monetary terms, but also in terms of its duration and pain taken to secure new jobs as a result of technological change.

Although Table 4 reveals the proportion of each type of unemployment to total unemployment over the period of time under study, the pattern of movement or the trend of these different types of unemployment (over the same period of time under scrutiny) may not be immediately clear from the same Table. The trend of each type of unemployment (being considered) is rather vividly brought out with the aid of chart 2.

Chart 2: The Trend of Unemployment by Type



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As can be observed from Chart 2 above, demand-deficient unemployment has been rising on average from 1982/83-1991/92 (rising sharply between 1990/91 and 1991/92) and has been declining from 1991/92-1994/95 (declining sharply between 1993/94 and 1994/95). However, it has been rising, on average, over the entire period considered. On the other hand, both frictional and structural unemployment have been declining (the former declining sharply than the latter) over the period of time being studied.

It may be pointed out at this stage that the trend in unemployment based on CSA data (see Annex 1) has been on the rise, compared to that of the Ministry of Labour & Social Affairs which has been oscillating. However, as it is indicated in background, a caution need to be taken while comparing the two sources of data as the scope, time reference, methodology of gathering the data and above all the purpose to which the information was intended to serve are at variance.

It is also interesting to observe in which of the occupations structural unemployment has concentrated over the period of time under study. This is brought out in Table 5 below.

Table 5. Structural Unemployment (Us) by Occupational category (1982/83-1996/97)

Year	Occupational Category Code							Total
	0/1	2	3	4	5	6	7/8/9	
1982/83	-	44	-	184	164	-	-	392
83/84	-	42	-	91	-	-	1060	1193
84/85	-	50	-	72	1671	-	-	1793
85/86	-	99	-	78	501	-	-	678
86/87	-	148	-	97	-	-	291	536
87/88	-	186	-	102	797	-	-	1085
88/89	-	57	-	50	1341	-	-	1448
89/90	-	-	-	75	926	-	-	1001
90/91	-	-	-	36	948	-	-	984
91/92	-	-	-	-	-	-	-	-
92/93	-	4	-	-	-	-	-	4
93/94	-	7	-	-	-	-	-	7
94/95	-	-	-	-	-	-	-	-
95/96	-	-	-	-	-	-	-	-
96/97	-	-	-	-	96	359	-	455
Average	-	42	-	52	430	24	90	638

Source: Computed from Annex 4.

- * 0/1: Professional, technical and related worker; 2: Administrative and managerial worker; 3: Government executive official and clerical worker; 4: Sales worker; 5: Service worker; 6: Agricultural, animal husbandry and forestry; 7/8/9 Labourer: (both skilled and unskilled).

As it appears in Table 5 above, except for two occupations, namely: the professional, technical and related worker (code 0/1), and the government executive official and clerical worker, all other occupations were affected by the structural unemployment. However, among those occupations affected by the problem, the degree of incidence

have concentrated on the occupation of service worker (code 5) and labourer (code 7/8/9) followed by sales worker (code 4) and administrative and managerial worker (code 2). It was the agricultural, animal husbandry and forestry (code 6) that was the least affected occupation by structural unemployment.

3. SUMMARY AND CONCLUSIONS

3.1. Summary

The theme of the paper was to examine the overall state of unemployment in Ethiopia, and also classify unemployment by its type and then observe the nature and magnitude of each, for both analytical and policy purposes.

Pertaining to the overall state of unemployment in the country, it is found that the level of unemployment has increased from 169,621 in 1984 to 779,522 in 1994, which is a significant increase. The problem is found to be even worse in the urban areas where the magnitude of unemployment was 114,167 in 1984 and 612,494 in 1994 than in the rural areas where the level of unemployment was 55,454 in 1984 and 167,025 in 1994.

Accordingly, the rates of unemployment in the urban and rural areas were 7.60% and 0.42% in 1984, respectively; whereas the corresponding rates in 1994 were 22.03 and 0.70%, respectively.

When disaggregated by gender, the incidence of unemployment showed that in the urban areas it was females who were seriously affected by the problem than their male counterparts. However, a significant variations in the problem between the unemployed males and females is not observed in the rural areas.

In terms of education attainment, the problem indicated that, at the national level, the illiterate and those who completed 12th grade were severely affected by the problem. In the urban scenario, the available fact showed that it was the educated group that has been the victim of unemployment. This has confirmed the presumption that unemployment has been creeping up the education ladder over the time period 1984-1994.

When classified by age, the data further revealed that it was the youth (15-24) who were severely affected by unemployment. The explanation for such a high incidence of unemployment among the youth has been that they lack the necessary skills and work experience that can put them in a better position to compete with others in the labour market.

Furthermore, for both analytical and policy purposes, unemployment was distinguished among its various types and examined. Accordingly, the types of

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unemployment prevailing in the Ethiopian labour market (as observed from the employment exchange information obtained from MoLSA) were identified as the demand-deficient, frictional and structural unemployment, constituting 76%, 23% and 1% on average, respectively.

Among the occupations which were consistently affected by the problem of structural unemployment, it was the service workers, sales workers, and administrative and managerial workers that were affected by the problem most.

3.2. Conclusions

From the foregoing discussion, the following conclusions/policy implications are drawn. The overall problem of unemployment in the country can be viewed from both the supply and demand side. The supply side problem is basically attributed to the size and rate of growth of the country's population and hence the labourer. That is to say, the rate of growth of the labour force of the country has not been matching with the country's economic growth at all, the former by far outstripping the latter. It may be suggested, therefore, that the country's population policy, family planning and other related packages need to be implemented at grassroot level with a view of balancing the supply of labour with its demand.

On the demand side, the country's economy has to be made dynamic in the sense that the potential high employment sectors and sub-sectors of the economy, such as, agriculture, off-farm activities and the urban informal sector need special attention with a view of promoting full, productive and freely chosen employment in these sectors. This would mean that all concerned, federal and regional government bodies, are expected to create an enabling policy environment towards promoting these sub-sectors and also design a strategy which will attract private investors to venture in these economic sectors.

In order to materialize the promotion of employment, concerned institutions that can play the lead role need to be identified and strengthened. The institutions that can play a crucial role in promoting employment are: the Ministry of Economic Development and Cooperation (for macro level policy issues), the Ministry of Trade and Industry (for coordinating, initiating and expanding small-scale micro financing industrial activities), the Ministry of Agriculture (for promoting agriculture), the Ministry of Education (for overall training and skill enhancement), and the Ministry of Labour and Social Affairs (for coordinating and disseminating labour market information). Concerning the three types of unemployment identified above, (demand-deficient, frictional and structural) the remedies of each type of unemployment may be pointed out as follows.

The solution to the problem of demand-deficient unemployment is clear. In this regard, many scholars argued, that demand-deficient unemployment persists in developing countries not because the factory is closed but because there is no

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factory, not because there is no sale for the products of their land but because their land is not fully utilized, etc. All these have been recognized⁶ and the conclusion drawn is that, more jobs mean more productive capacity, or in other words investment. This line of argument is equally relevant and important in the present context of Ethiopia as well.

But still, others may argue, that additional investment may not necessarily lead to additional level of employment as desired.⁷ It must be realised, however, that the process of investment is not an end in itself; rather, it is a means to achieve the desired goal through the workings of the 'income multiplier-accelerator' principle. In this regard, therefore, the government is expected to take initiatives in generating employment through public work programmes in areas where the chances of private investors to come is remote.

Secondly, and more importantly, the government is expected to induce private investors to come forward in the areas of economic activities (where it is more efficient) by providing basic economic and social infrastructures. Hirschman (1958) calls such infrastructures as 'Social Overhead Capital' (SOC)⁸ which would make the private sector more competitive both domestically and globally, thereby, creating employment opportunities in the country.

With regard to the problem of frictional unemployment in the country, one important suggestion may be made. That is, the Ministry of Labour and Social Affairs (which, under the existing institutional arrangement is responsible for the coordination and dissemination of the labour market information in the country), in collaboration with the regional bureaux of Labour and Social Affairs should be in a position to gather and disseminate such information to its users (policy makers, planners, researchers, employers, workers, job-seekers, etc.) on a regular basis.

When one embarks on the problem of structural unemployment, the solution to be suggested seems painstaking, as compared with other cases. This is so, because the suggestion to address the problem of structural unemployment needs an adequate knowledge of its causes.

⁶ It must be underscored here that from this it does not follow that people in developing countries have a purchasing power. The attempt here is only to bring out the potentialities available at the disposal of these countries.

⁷ Keeping our objective (i.e., promoting employment) in view, what matters is not the quantum of investment, but rather how and where it is invested.

⁸ According to Hirschman, the Social Overhead Capital (SOC) that a government is expected to provide for private investors, so that they will be induced to come in, comprises of basic infrastructures or services without which primary, secondary and tertiary productive activities cannot function. In its wider sense, it includes all public services from law and order through education and public health to transportation, communications, power, water supply, as well as, such agricultural overhead capital as irrigation and drainage system.

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Eventhough the factors responsible for the occurrence of structural unemployment in the Ethiopian labour market were not enumerated, it has been a common practice, for one to observe in the country, that a good number of persons seeking jobs, were not able to secure them. This is so, because, either they do not have the necessary skill at their disposal to match with a particular job, or that the labour market in the country is so localised/segmented, that labour has not been moving from one place to another.

As a result, a number of job-vacancies remained unsatisfied in the country's labour market. As a matter of fact, the problem of structural unemployment may not be a crucial problem in the Ethiopian labour market at this very juncture and this is confirmed by the present study. However, this does not mean that the problem should be ignored altogether! At any rate, some means and ways of tackling the problem of structural unemployment need to be sought.

As is reported in the paper, occupations that have been severely affected by the problem of structural unemployment were service workers and labourers followed by sales workers, and administrative and managerial workers. Other occupations such as professional, technical and related workers, government executive officials and clerical workers were not affected by the problem of structural unemployment. From this, it may be suggested that a strategy may be designed for both vertical and horizontal occupational mobility (a mobility from one occupation to the other and within an occupation, respectively). This actually requires an active manpower planning designed towards encouraging greater mobility between occupational groups and among local/regional labour markets. However, the discussion around the problem of structural unemployment should at least seek to provide tentative answers to the following questions: How likely will a structurally unemployed person undertake all or part of the costs involved in re-adaptation of structural unemployment? What are the major costs and risks involved in such labour force adjustment for both the individual and society under the given institutional arrangement? Does the constellation of variables such as occupation, level of education, sex, age profiles, social and cultural stigma and other host of factors permit the desired process of adjustment to be feasible? In what manner, and degree, does the process of re-adaptation change when the society rather than the individual undertake all or part of the costs and risks involved in labour force adjustment? And so on.

In this regard, the education sector has a great role to play provided that the labour market information is available at its disposal. The education sector can expand vocational and technical schools in the country to the extent that it is feasible. Furthermore, the education sector can keep its curriculum up-to-date and flexible depending upon the country's labour market signals. In light of this, the attitudes and aspirations of students in favour of white-collar jobs (which are in short supply) against the blue-collar jobs which has been experienced in the country may be curbed during their schooling life.

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ANNEXES

Annex 1. Characteristics of the Ethiopian Population (1984 and 1994)

Age Group	Year	Urban			Rural			Total (urban + rural)		
		M	F	T	M	F	T	M	F	T
0-9	1984	748,062	738,288	1,486,350	7,272,364	6,816,852	14,089,216	8,020,426	7,555,140	15,575,566
	1994	868,149	868,689	1,737,260	7,551,408	7,293,360	14,844,768	8,419,979	8,162,049	16,582,028
10+	1984	1,533,767	1,849,172	3,382,939	11,882,749	11,775,622	23,658,371	13,416,516	13,624,794	27,041,310
	1994	2,666,235	2,919,712	5,585,947	15,824,485	15,484,804	31,309,289	18,490,720	18,404,517	36,895,236
Total Population	1984	2,281,829	2,587,460	4,869,289	19,155,113	18,592,474	37,747,587	21,436,942	21,179,934	42,616,876
	1994	3,534,806	3,788,401	7,323,207	23,375,893	22,778,164	46,154,057	26,910,699	26,566,566	53,477,264
Econ. Active Population	1984	880,906	569,009	1,499,915	7,700,606	5,592,020	13,292,626	8,581,512	6,161,029	14,742,541
	1994	1,639,675	1,140,379	2,780,054	13,474,525	10,383,786	23,858,311	15,114,200	11,524,165	26,638,365
Level of Employment	1984	820,661	515,087	1,335,748	7,677,763	5,559,409	13,237,172	8,498,424	6,074,496	14,572,920
	1994	1,303,289	864,221	2,167,560	13,389,475	10,301,808	23,691,283	14,692,764	11,166,079	25,858,843
Level of Unemployment	1984	60,245	53,922	114,167	22,843	32,611	55,454	83,088	86,533	169,621
	1994	336,386	276,108	612,494	85,050	81,978	167,025	421,436	358,086	779,522
Rate of Unemployment	1984	6.84	9.48	7.6	0.30	0.58	0.42	0.97	1.40	1.15
	1994	20.51	24.21	22.03	0.63	0.79	0.70	2.79	3.11	2.93

Source: Computed from the 1984 and 1994 Census results of the CSA.

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Annex 3. Level of Unemployment by Age Group, Sex and Area of Residence (1984 and 1994)

Age Group	Year	Urban			Rural			Total			Percentage
		M	F	T	M	F	T	M	F	T	
10-14	1984	3,562	4,067	7,629	8,178	10,493	18,673	11,740	14,560	26,300	15.50
	1994	16,193	16,396	32,589	16,097	17,078	33,184	32,290	33,483	65,773	8.44
15-24	1984	23,646	31,147	54,793	8,012	10,368	18,380	31,658	41,515	73,173	43.14
	1994	154,822	164,283	319,105	42,537	40,723	83,260	197,359	205,006	402,365	51.62
25+	1984	33,037	18,708	51,475	6,653	11,750	18,403	39,690	30,458	70,148	41.36
	1994	165,371	95,429	260,800	26,416	24,168	50,584	191,787	119,597	311,384	39.94
Total	1984	60,245	53,922	114,167	22,843	32,611	55,454	83,088	86,533	169,621	100.00
Unemployment	1994	336,386	276,108	612,494	85,050	81,978	167,028	421,436	358,086	779,522	100.00

Annex 4: Number of Registered Unemployed (U) and Vacancies (V) Reported by Occupation (1982/83-1996/97)

Year	Occupational Category															
	0/1		2		3		4		5		6		7/8/9		Total	
	U	V	U	V	U	V	U	V	U	V	U	V	U	V	U	V
82/83	1321	816	73	117	25404	4492	104	284	1795	1959	1389	337	27122	24835	57208	32840
83/84	1101	529	64	106	23710	4675	95	196	1702	1628	1172	223	26848	18070	54692	25417
84/85	1259	744	91	141	29352	2964	17	89	1630	3301	1302	157	22722	10269	56373	17665
85/86	1191	493	85	184	27352	3111	10	88	1532	2033	1064	171	21360	15146	52594	21226
86/87	850	445	21	169	32884	3114	58	155	3014	2069	1156	254	20253	11389	58236	17595
87/88	995	553	21	207	33478	2853	6	108	1189	1986	963	117	18636	12628	55288	18452
88/89	732	479	17	74	33396	2267	4	54	919	2260	813	95	15449	7115	51330	12344
89/90	629	357	134	86	29293	1951	3	78	809	1735	702	118	12738	6909	44208	11234
90/91	576	142	31	23	31632	1206	14	50	572	1520	605	43	10883	5540	44313	8524
91/92	1122	155	145	57	35474	480	17	3	2210	577	510	14	31384	4549	70862	5835
92/93	1470	151	123	98	38567	655	254	14	668	561	604	11	21255	1116	62941	2606
93/94	1307	190	87	54	44455	492	217	10	1244	454	1451	43	15921	896	64682	2139
94/95	901	24	198	5	17919	340	100	7	321	42	352	58	3662	284	23453	950
95/96	1371	269	338	11	17489	171	272	11	3534	464	413	247	4933	2350	28335	3523
96/97	820	248	60	25	25334	671	260	10	612	606	495	726	6988	3202	34569	5488
Total	15645	5595	1488	1357	445739	29442	1431	1147	21751	21195	12991	2614	260154	124298	759084	185838

Source: Ministry of Labour and Social Affairs, Employment Service Information Bulletin, various issues.

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Annex 2. Level of Unemployment by Education, Sex and Area of Residence (1984 and 1994)

Level of Education	Year	Urban			Rural			Total (urban + rural)			Percentage
		M	F	T	M	F	T	M	F	T	
Illiterate	1984	17,531	16,824	34,355	15,510	28,354	43,864	33,041	45,178	78,219	46.11
	1994	76,077	72,075	148,152	60,291	71,167	131,458	136,368	143,242	279,610	35.87
Non-Regular	1984	4,458	1,887	6,345	1,279	1,106	2,385	5,737	2,993	8,730	5.15
	1994	9,351	6,412	15,763	2,376	943	3,319	11,727	7,355	19,082	2.45
Grade 1-3	1984	10,001	8,897	18,898	2,581	2,188	4,769	12,582	11,085	23,667	13.95
	1994	17,029	14,430	31,459	4,282	2,277	6,559	21,311	16,707	38,018	4.8
Grade 4-6	1984	7,772	4,853	12,625	1,256	408	1,664	9,028	5,261	14,289	8.42
	1994	44,441	30,973	75,414	5,465	2,562	8,027	49,906	33,535	83,441	10.70
Grade 7-8	1984	3,253	2,265	5,518	366	78	444	3,619	2,343	5,962	3.52
	1994	40,016	28,957	68,973	3,187	1,259	4,446	43,203	30,216	73,419	9.42
Grade 9-11	1984	4,157	3,451	7,608	274	114	388	4,431	3,565	7,996	4.71
	1994	40,776	28,560	69,336	2,594	975	3,569	43,370	29,535	72,905	9.35
Grade 12	1984	11,989	14,721	26,710	1,462	312	1,771	13,451	15,033	28,484	16.79
	1994	95,252	85,551	180,803	6,453	2,659	9,112	101,705	88,210	189,915	24.36
Beyond Grade 12	1984	964	970	1,934	69	42	111	1,033	1,012	2,045	1.21
Not Stated	1984	120	54	174	46	9	55	166	63	229	0.14
	1994	406	338	744	57	50	107	463	388	851	0.11
Total	1984	60,245	53,922	114,167	22,843	32,611	55,454	83,088	86,533	169,621	100.00
	1994	336,386	276,108	612,494	85,050	81,978	167,028	421,436	358,086	779,522	100.00