

Employment Policies and Unemployment in Eastern and Southern Africa

**Edited by
Paschal B. Mihyo**



**Organisation for Social Science Research
in Eastern and Southern Africa (OSSREA)**

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(OSSREA)

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Introduction

The Rising Tide of Unemployment in Eastern and Southern Africa

*Paschal B. Mihyo**

On the occasion of the 68th Session of the United Nations General Assembly that took place in New York between the 21st and 27th January 2013, the African Business Roundtable together with the African Governance Institute, the Mo Ibrahim Foundation and the World Bank, hosted a High Level Roundtable on the theme, 'Beyond 2015: Pathways to Addressing Africa's Potentially Explosive Unemployment Challenge'. The organizers noted that in spite of the rosy figures, euphoria and hype about rapid growth and rising GDP figures, in many countries on the continent, there was a general phenomenon of 'growth without development'. This pessimism was based on the ILO estimates that the average unemployment rate was 11.5% in Africa with about 10.3 million employable youths out of formal or informal employment. In North Africa, which is closest to the most advanced countries of Europe, the average rate of unemployment is 27.9%, with about 3.9 million young people out of work. They warned that the trend was poised to rise with dire consequences for the continent (AGI 2013). In the year 2012, OSSREA supported a research project on 'Employment Policies and Unemployment in Eastern and Southern Africa' which aimed at finding explanations for the rising problems of unemployment in the region; assessing the effectiveness of employment policies adopted by countries in the region over the last fifteen years; analyzing factors that have supported or obstructed the effectiveness of these policies; and drawing lessons from the past and present practices that could inform future policies and interventions.

Twelve papers were selected for publication in this anthology covering three case studies on Ethiopia, one on Kenya, one on Namibia, one on Rwanda, two on Tanzania, two on Uganda and two on Zambia. Most of them confirm the fear expressed by the organizers of the January 2013 High Level Roundtable mentioned above that the problem is explosive and, if not addressed, it may trigger off development failures that may lead to the loss of the gains so far achieved in levels of growth in the past decade. All the papers address the causes of unemployment and assess the effectiveness of policies put in place to address it. One of the root causes identified by the researchers is inadequate preparation of youth for gainful employment by education institutions. In the Chapter on 'Graduate Preparation in Ethiopian Public Higher Education Institutions: Perceptions of Academic Staff', Demewoz Admasu attributes the problem of

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unemployment in Ethiopia to rapid expansion of the higher education sector in the country since 1991, which has produced a huge number of graduates incapable of being absorbed in the labor market. He argues that many university graduates are experiencing difficulties in finding jobs, some spend very long time searching for work, and some have taken up manual jobs such as garbage collection and work on construction sites which do not pay decent wages. In the chapter on 'Urban Unemployment in Addis Ababa and Arsi Zone of Oromia Region: Determinants, Consequences and Coping Strategies', Degefa Tolossa and Dula Etana locate the problems of unemployment in Ethiopia on resource scarcity especially the scarcity of land due to increase in population and rise in land poverty. In addition, they assert that although there was rapid growth in the country in the last one and half decades, there was a mismatch between growth in terms of GDP and increase in the number of jobs.

Demographic trends and the failure of the education system in Ethiopia to equip youths with enough skills to create their own jobs have also contributed to unemployment in Ethiopia, according to Tesfaye Cholo and Tegegn Wassie who contributed the Chapter on the 'Socioeconomic Causes of Urban Unemployment in Ethiopia'. Ndeshi Nampula on the Chapter on the 'Experiences and Aspirations of the Unemployed Youth in Ohangwena and Khomas Regions of Namibia', a country where the youth unemployment rate is 38%, has attributed unemployment to the failure of the government in that country to provide the necessary social protection to the people out of work. In the chapter on 'Urban Youth Unemployment in Tanzania: Analysis of Causes and Policy Responses', Deogratias Massawe argues strongly that most youths are ill-prepared for entry into the labour market; most of them are unemployable and the education they are offered is not very relevant to the needs of the labour market in Tanzania.

Examining policies and programmes put in place to reduce the unemployment problems, the paper by Tegegn and Wassie indicates that the Ethiopian government has adopted multiple strategies such as encouraging foreign direct investment, promoting micro enterprises, expanding micro finance services, and supporting labour-intensive investment programmes. But they conclude that the increase in job opportunities has not been commensurate with increases in population and migration from rural to urban areas. They also conclude that without relevant skills, unemployed youths are finding it difficult to get absorbed in the new jobs being created through these strategies.

Kenya introduced a Youth Enterprise Development Fund in 2006 aimed at providing grants for youth-managed enterprises, providing market support, youth-focused infrastructure and opportunities for youth employment outside the country. Simon Cheruiyot and Salim Didi in their chapter on 'The Effectiveness of Youth Enterprise Development Fund (Kenya) as a Sustainable Strategy for Youth Employment' note that youth unemployment has kept on rising in spite of this fund and other strategies

adopted by the Kenya government. Lack of coordination between agencies, lack of transparency in the administration of the fund, limited awareness of the modalities of accessing resources under the fund, lack of involvement of youth organizations in decisions relating to the fund and limited preparation for youth to engage in entrepreneurship rather than in formal employment, have limited the effectiveness of the fund.

The Government of Rwanda has embarked on public service reforms, privatization and broader reforms expected to increase efficiency and jobs. According to Edouard Musambanganji and Johnson Bosco Rukundo (see their chapter on 'Unemployment and Underemployment in Rwanda Rural Areas: A Case Study of Huye District'), these reforms have not been accompanied by tangible increases in jobs and instead they have led to unemployment. Population growth in Rwanda is very high at 2.9% and land resources are limited. Public sector reforms without a clear strategy for increasing employment opportunities, can lead to increase in unemployment according to this study. Similarly, Tanzania has adopted labour market flexibility allowing foreign investors to determine modalities of pay at work and the duration of contracts without interference from either the government or trade unions. This system has institutionalized employer power, allowing firms to hire and fire at will. In the chapter on 'The Impact of Labour Market Institutional Flexibility on Employment Creation and Employee's Job Sustainability: The Case of the Banking Sector in Tanzania', Ashatu Kijaji asserts that this labour market flexibility has entrenched employer power; it has not increased levels of employment and encourages payment of low wages even in very successful enterprises in the banking sector.

The Uganda Government has put in place various employment promotion programmes including the Prosperity for All Programme, the Youth Entrepreneurship Venture Fund, the Youth and Employment Productivity Enhancement Fund and the Youth Enterprise (Credit) Scheme (YES). But, in spite of these robust programmes and the enthusiasm of the youth in Uganda to get involved in productive and enterprising activities, the youth unemployment problem in that country has refused to go away and Dorothy Massa in the chapter on the 'Assessment of Effectiveness of the National Youth Policy in Addressing Youth Unemployment in Urban Uganda' has cautioned that if the problem is not properly addressed Uganda may soon experience turmoil as has happened in Arab countries in 2011 and Kenya in 2007. One of the solutions is to increase and make relevant entrepreneurship training programmes in Uganda. This is suggested by Sarah Eyaa in the chapter on 'Evaluating the Contribution of an Entrepreneurship Training Degree Programme in Solving Unemployment Through Job Creation: The Case of Entrepreneurship Graduates of Makerere University'. She asserts that entrepreneurship training is entrenched in Uganda's formal education systems from high school to university level and Makerere Business School has entrepreneurship training in its bachelors' and masters' courses in business administration.

However, the study by Eyaa shows that these robust programmes which have been on the ground for two or more decades have not produced the type of entrepreneurs that have helped the nation to reduce the problem of unemployment, especially among the youth.

The anthology ends with two case studies on Zambia. The one by Mweemba Liberty on 'Graduate Unemployment and Marginalization in Zambia: A Dark Cloud on the Horizon' reaffirms everybody's fear that failure to prepare the youth adequately to create their own jobs and failing to support those churned out of training institutions by providing them with training and other measures that can help them to get employed, is not only a waste of investments in education but a preparation of the youth to become a negative social force in Zambia. The paper by Miniva Chibuye titled, 'Employed, Yet Poor: Experiences from Zambia' raises the whole question of what employment is and what a job is. According to Chibuye the majority of employed people in Zambia are unable to meet their basic needs. The paper raises the issue of the working poor and decent work. It calls for decent work and decent pay. In order to achieve this, Chibuye advocates for strengthening social dialogue between all social actors-government, employees and employers.

CHAPTER 1

Graduate Unemployment and Marginalization in Zambia: A Dark Cloud on the Horizon

*Mweemba Liberty**

1. Background

The protracted and deep-rooted economic crisis that has affected nearly every country in Sub-Saharan Africa (SSA) has had a profoundly negative impact on the well-being of the entire population in the region. The social and economic crisis that has plagued many parts of Sub-Saharan Africa in the past three decades has had a profound effect on its more disadvantaged groups: children, women and youths. The future of the African continent is at stake as HIV, poverty, unemployment, access to quality education; conflict and war continue to pose threats to the social and economic development of the young people growing up on the continent.

In Zambia, the youth population is estimated to be 29.6 per cent of the population, with nearly one-third of the population between the ages of 15-30 years (CSO 2000). The major challenges facing Zambian youth graduates are high unemployment and poverty (MSYCD 2006). The lack of economic empowerment through employment exacerbates social and economic challenges that the country is facing. Understanding graduate unemployment therefore requires an assessment of the formal employment opportunities in the current labor market structure and an examination of the nature of education provided by colleges and universities.

1.1 Unemployment among Zambian University Graduates

In Sub-Saharan Africa, education is often seen as the main policy instrument in the fight against poverty because it may help individuals access better jobs and thus raise their labor earnings (Bossuroy et al. 2007). In Zambia, however, higher education seems to be losing its value as young educated people struggle to get into formal employment.

1.2 Problem Statement

In Zambia, higher education seems to be losing its value as young educated people struggle to get into formal employment. Popular sociological thought has argued that an investment in human capital, which is the skills and knowledge of an individual, results in social and economic returns to the individual and the family (Aseta and Huang 1994; Becker 1993). Yet

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today many of Zambia's educated graduates do not seem to be getting returns on their investment in education.

More educated individuals translate into more scientists, analysis, technicians, etc., working to increase knowledge through the development of new processes and technologies (Saxton 2000; Potts 2001). An educated employed population provides a wider tax base for the government, generating more income contributing to a higher GDP for the country. Individuals with a higher education are more likely to take part in a country's political process. These individuals are also bound to be more socially aware of their rights and freedoms. Increasing individual skills, abilities and competencies, human capital accumulates and enlarges civic engagement, making social participation easier to achieve (Lanzi and Cunningham 2007). An educated individual is more likely to be politically and socially empowered and therefore more able to take part in issues that involve them. The Human Capital Theory stipulates that these are some of the benefits of having an educated population.

However, in spite of their education, an increasing number of graduates are failing to find employment, dashing their hopes of returns commensurate with the investment in education. It is for this reason that this study attempted to examine the causes and consequences of graduate unemployment in Zambia. The study also examined government policies and strategies formulated and implemented in trying to mitigate unemployment problems.

1.3 Methodology

Both qualitative and quantitative research paradigms were utilized to collect data. The objective was to elicit an understanding of the situation from the subjects' own frame of reference. The study agrees with Hakim (1987), who observed that people's own definition of the situation is an important element of any social process. This study is based on the following research methods: (i) Interviews, (ii) Focus group discussions, (iii) Documents and text analysis, (iv) Observations and, (v) Questionnaires.

A total of 348 respondents were targeted. Snowball sampling was used to recruit subjects in the research. Specifically chain-referral (respondent-driven) sampling was used. The justification for using this method was the lack of a sampling frame and also the data being contingent on a number of factors such as the social network on which recruitment took place. The research sites were in Lusaka and Kitwe because these are the towns where there is a large concentration of unemployed youths. Interviews were also conducted with relevant government officials. The interview with government officials enabled the researcher to discuss unemployment problems with key policy makers. This deepened understanding of the operations and limitations of concerned government ministries. The interviews were supplemented by a review analysis of records and

documents, statistical bulletins and employment policy papers. The review of government and NGO documents enabled the researcher to analyze the consistency of government unemployment policies and initiatives. The statistical content that was analyzed from within the qualitative paradigm also helped to indicate the extent of the unemployment levels among the respondents. The focus group discussion provided an opportunity to hear the perceptions and realities of unemployed graduates. Their accounts provided the much needed voice to augment understanding of unemployment among this particular group.

Quantifiable data in the form of numeric and statistical analysis was also used to help inform findings as well as to assist in extending the breadth and scope of the inquiry (Creswell 1994). Causal relationships among the constructs' unemployment risk perceptions, unemployment susceptibility, employment barriers and employment benefits and preference in employment creation were examined. Sample *t-test* was conducted to compare the means of risk unemployment experience for males and females. The mean differences of each scenario for the female and male respondents were carried out by the student *t -test*. Factor loading analysis was used to confirm and to verify that each indicator constructed in the research was an effective measure of the construct.

Variable measurement: The questions representing awareness, attitude, susceptibility, perceived severity, benefits, and barriers, were recorded by asking respondents to scale a set of questions that express beliefs about each issue. These questions evaluated respondents' attitudes towards social and economic problems related to unemployment. Employment creation was recorded by asking respondents a set of questions that indicated actions that should be taken to mitigate unemployment problems.

2. Theoretical Framework: Human Capital Theory

Education in Zambia, as in many developing countries, is regarded as an effective tool in poverty alleviation. Education is an investment and access to it is supposed to provide a better quality of life not only to the educated individuals but also to their families. In light of this, at the family, educating a family member empowers not only that particular individual but also the family (Sumarrai and Bennel 2003). The same understanding is also true at the community or national levels where governments invest in education in the belief that they are investing in the human capital necessary for development. Human capital theory can be a useful framework for analyzing how governments around the world have planned their education policies. Education is an investment and not a good to be consumed. Furthermore, education is a form of capital and in this case, it is an investment of personal resources for the production of profit. The production of profit, in turn, is the skills and knowledge which can yield economic returns for individuals (Lin 2001). Human capital can be viewed in general terms such as the ability to read and write or in specific terms

such as the acquisition of a particular skill with a limited industrial application (Becker 1964). Human capital is, therefore, a means of production in which additional investment produces additional output.

2.1 Origins of the Theory

The concept of human capital was initially used by academicians, Arthur Pigou and Theodore Schultz. Schultz states that increases in the acquired abilities of people throughout the world and advances in useful knowledge hold the key to future economic productivity and to its contributions to human well being (Schultz 1981). Schultz draws attention to the importance of investing in people and how individuals invest in education with the hope of getting returns. In extending the argument by Schultz, Becker (1993) argues that education and training are the most important investments in human capital, stating that more highly educated and skilled persons usually tend to earn more than others. Becker argues that employment is related to education while unemployment can be attributed to lack of education. Education provides employment opportunities and the more highly educated an individual, the more profitable his/her skills and knowledge to a potential employer. The Human Capital Theory states that education, training and work experience are important assets to an individual and yield returns not only to the individual at the micro level but have benefits for a country at the macro level (Aseta and Huang 1994). There are private as well as public returns on education. Education is pivotal in that it facilitates the acquisition of new skills and knowledge that increase productivity. This increase in productivity frees up resources to create new technologies, new business and new wealth eventually resulting in increased economic growth (Saxton 2000). Bloie (2004) argues that studies have found a strong positive correlation between the human capital of the domestic population and the economic performance of a nation. The more human capital a country has, the higher the chance of a better economic performance. A country, therefore, needs to invest in its human capital in order to develop its economic sector.

2.2 Private Returns of Education

Formal education is an investment and the more formal education an individual has the more he/she benefits from it. Ideally a highly educated individual has more employment opportunities than an individual with less formal education. These individuals are entitled to higher wages, salaries and better conditions of service because they possess skills and knowledge considered an asset to their employers. Employers are more willing to pay a higher salary to a skilled individual in order to reap the benefits of their skills to the organization. The education level of an individual not only affects his or her earnings on the job market but also the quality of employment. Jacob Mincer, a renowned economist, states that educated workers have three advantages relative to less educated workers: higher wages, greater employment opportunities and greater upward mobility in income (Saxton 2000).

Educated individuals are bound to make healthier choices not only for themselves but also for their families. The children of parents with a higher education level are bound to have a better nutritional status than in households with less educated parents. This has been one of the major guiding principles for advocates for girls' education in developing countries. Education is seen as an instrumental tool in the socio-economic empowerment of women and contributes significantly to women's participation in development. Many international agencies, among them UN agencies, regard the education of girls and women as the foundation for socio-economic growth for less developed countries. The private returns on girls' education have a major impact on family health and family size. For example, girls who spend more years in school have fewer children. Fewer children decreases family burdens especially in poorer communities (Becker 1998; Bloe 2004; Lin 2001).

2.3 Public Returns of Education

At a macro level, a country benefits from an investment in human capital. The more educated individuals a country has the more skills and technological knowledge it has to help promote its development. Human capital contributes to creation of new knowledge. More educated individuals translate into more scientists, analysts, technicians, etc., working to increase knowledge through the development of new processes and technologies (Saxton 2000). Individuals with a higher education are bound to be more socially aware of their rights and freedoms. Increasing individual skills, abilities and competencies, human capital accumulates and enlarges civic engagement, making social participation easier to achieve (Lanzi and Cunningham 2007). Educated individuals are more likely to be politically and socially empowered and therefore more able to take part in issues that involve them. The Human Capital Theory stipulates that these are some of the benefits of having an educated population.

3. Results and Discussion

3.1 Demographic Characteristics

A total of 323 college and university graduates participated in the research. Twenty of the 323 college and university graduates also participated in focus group discussions. The results show that 60.5 per cent (195) were male respondents and 40 per cent (128) females. The major portion of the respondents (70.1 per cent) was under 23 years old. About 23.4 per cent of selected graduates were in the age range 23-31 years, followed by 5.2 per cent in the age range of 32-40 years, and only 1.3 per cent were 41 years old and above. Most of the respondents (78.3 per cent) just graduated from their studies, which also corresponds to their age range of 23 or young. Of the remainder, 20.2 per cent were graduates with a Master's degree and 1.5 per cent of the students were graduates with a Doctoral degree.

3.2 Respondents' Fields of Study

Formal education makes up one's qualification and can be an asset while seeking employment. Table 1 shows the fields of study of the respondents. Most respondents, 40 per cent (129), had done social sciences related courses, followed by education (15 per cent), natural sciences (09 per cent), agriculture (03 per cent) and medicine (3 per cent).

Table 1. Respondents' fields of study

Field of study	Respondents	Percentage (%)
Agriculture	10	03
Business studies	11	03
Mass Communication	16	05
Engineering	23	07
Education	49	15
Humanities	26	08
Law	23	07
Medicine	10	03
Natural Sciences	29	09
Social Sciences	129	40
Total	323	100

3.3 Duration of Unemployment

The structure of respondents by the period during which they remained unemployed is shown in table 2. The question here was: How long have you been without work and seeking work? For how long have you been unemployed? Out of the 323 respondents, 32 (10 per cent) were out of employment for less than three months, 48 (15 per cent) had not been employed for 3-6 months and 178 (55 per cent) had not been employed for 6-12 months. The results show that graduates remain unemployed for long periods of time. One respondent indicated:

I have been looking for a job for the past 18 months, I have been invited to attend a lot of interviews but nothing positive has come out. It does not even take some of our friends three months to get a job. Others have even changed jobs twice or three times while some of us are yet to get our first job. These days if you do not know anybody in high position, it is difficult to get a job. (Focus group participant 6).

Table 2. Duration of unemployment

Duration unemployed	Respondents	Percentage (%)
Less than three months	32	10
3-6 months	48	15
6-12 months	178	55
12- 18 months	26	08
Over 18 months	39	12
Total	323	100

3.4 Importance of Higher Education

Opinions held by graduates on the importance of higher education on the labour market are shown in table 3. The question here was: does a person holding a Bachelor's degree or diploma find it easier to get a job than a person with a lower qualification? The results show that 96 (29 per cent) of the respondents felt higher education was not a priority or somewhat not necessary on the labour market because many graduates still don't have jobs. However, 166 (51 per cent) felt that education was necessary or somewhat necessary on the labour market.

Table 3. Importance of higher education

Opinion	Respondents	Percentage (%)
Definitely No	26	08
Somewhat No	68	21
Not sure	63	20
Somewhat Yes	110	34
Definitely Yes	56	17
Total	323	100

3.5 Job Search Strategies

Table 4 indicates different methods respondents used to search for job opportunities. The results show that 92 (19 per cent) used social contacts like relatives and friends in the hope of finding a job, 200 (41 per cent) used direct application, 119 (24 per cent) searched through newspapers and 65 (13 per cent) through employment agents.

Table 4. Favoured job search strategies favoured

Job search strategy	Respondents	Percentage (%)
Social contacts	92	19
Direct application	200	41
Newspapers	119	24
Employment agents	65	13
Other	16	03
Total	492*	100

* Note that these job search strategies overlap

And a parent had this to say:

The challenges of youth unemployment may not directly affect you now; so you can go about your life without noticing it. However, before long you will have an unemployed frustrated young graduate in your home. It is therefore important that we all play a part in getting these youths off the streets. Yes, many of us may be lucky in that we are well networked and so our children are guaranteed of jobs when they complete college. The problem is what then happens to those in the villages who do not know anyone in the big city who can help them find a job for their child. I am confident that together we can eliminate unemployment amongst our youth in Zambia.

3.6 Employment Barriers for Respondents

Respondents were asked to give reasons why they were unsuccessful to find employment. Table 5 shows the mean score response of the reasons for failure to find a job by the male and female respondents. As demonstrated in table 5, the lack of social contact ($M = 3.87$, $SD = 0.99$) was the highest among all the given reasons, especially among female graduates, which indicates that females viewed lack of social contact the highest employment barrier ("I don't know the right people; employers hire through their friends and family"), followed by corruption and nepotism ($M = 3.66$, $SD = 1.15$); Not enough jobs ($M = 3.48$, $SD = 1.09$); lack of the right skills ($M = 3.43$, $SD = 0.99$); poor performance during interviews ($M = 3.31$, $SD = 0.93$); lack of experience ($M = 3.25$, $SD = 1.90$); and employers' discrimination against respondents due to tribe and race ($M = 3.09$, $SD = 0.99$). On the other hand, the male graduates gave corruption and nepotism the highest mean score of 3.53 ($SD = 1.01$) of the employment barrier items identified in the study. This indicates that males viewed corruption and nepotism as the highest employment barrier, followed by not enough jobs ($M = 3.39$, $SD = 1.12$); lack of social contacts ($M = 3.38$, $SD = 1.06$); poor performance during interviews ($M = 3.20$, $SD = 1.10$); employers' discrimination against respondents due to tribe and race ($M = 3.11$, $SD = 1.17$); lack of the right skills ($M = 2.89$, $SD = 1.17$); and lack of experience ($M = 2.47$, $SD = 1.12$).

The results also show that female and male groups viewed social contacts, corruption and nepotism as the highest employment barriers. However, among the employment barriers, the males had a slightly higher mean ($M = 3.11$) than the females ($M = 3.09$) only on employers' discrimination against respondents. For the rest of the barrier items, the means for females were higher than that of the males. A sample *t-test* was performed to compare the mean differences of each item between males and females for employment barriers. The results show that the mean score of each of the barrier items from female respondents was higher than that of the male respondents. All the mean differences for barrier items between the female and male respondents were statistically significant at the level of $p < 0.001$. Corruption and nepotism were significant at $p < 0.003$, while poor performance during interviews was significant at $p < 0.020$.

Table 5. Employment barriers for respondents

Barrier	Females (N = 128)		Males (N = 195)		<i>t-test</i>	
	Mean	SD	Mean	SD	<i>t-value sig.</i>	2-tailed
Not enough jobs	3.48	1.09	3.39	1.12	6.36	0.000
Lack social contacts	3.87	0.99	3.38	1.06	9.03	0.000
Lack the right skills	3.43	1.09	3.01	1.17	10.9	0.000
Lack experience	3.25	1.90	2.47	1.12	7.84	0.000
Corruption/nepotism	3.66	1.15	3.53	1.01	3.17	0.003
Don't do well in interviews	3.31	0.93	3.20	1.10	2.97	0.020
Was discriminated against for my tribe	3.09	0.99	3.11	1.17	6.10	0.000

Further results indicate that 93 per cent of the respondents believed strongly that social connections and relations with people in advantageous positions as well as the exchange and flow of information among colleagues and relatives can increase one's chances of securing a job.

3.7 Reasons Why Respondents Needed to Work

The respondents were asked to give reasons they needed to work. Here the question was: Why do you feel the need to work or find a job?

Table 6. Reasons why respondents needed to work

Reason	Female (N = 128)		Male (N = 195)		<i>t-test</i>	
	Mean	SD	Mean	SD	t-value sig.	2-tailed
Only educated family member	3.56	0.98	2.79	1.17	9.62	0.000
Family cannot sustain me	3.92	0.92	2.98	1.17	9.62	0.001
Need additional family income	3.32	1.04	3.16	1.09	4.70	0.000
Parents wants me to have a job	4.14	0.96	3.09	1.13	2.57	0.000
I want to be independent	4.11	1.13	4.23	1.03	9.07	0.000
Need a job to gain experience	3.04	1.15	2.94	1.22	9.08	0.010
A job gets me a place in society	3.76	1.04	3.84	1.17	6.45	0.000

Table 6 shows the mean score of each reason why the male and female respondents needed to work. The results show that the means of reasons for seeking employment ranged from 3.04 to 4.14 for female respondents. Female respondents ranked 'my parents want me to have a job' (M = 4.14, SD = 0.96) as the most important reason for seeking employment, followed by 'I want to be independent' (M = 4.11, SD = 1.13); 'family cannot sustain me' (M = 3.92, SD = 0.92); 'A job gets me a place in society' (M = 3.76, SD = 1.04); 'I am the only educated family member' (M = 3.56, SD = 0.98); 'need additional family income' (M = 3.32, SD = 1.04); and 'need a job to gain experience' (M = 3.04, SD = 1.15). On the other hand, the male respondents had the mean scores of the need to work ranging from 2.79 (Only educated family member) to 4.23 (I want to be independent). Need to be independent was considered by the male respondents to be the most important reason for seeking employment (M = 4.23, SD = 0.87), followed by 'a job gets me a place in society' (M = 3.84, SD = 1.17); 'need for additional family income' (M = 3.16, SD = 1.09); 'my parents want me to have a job' (M = 3.09, SD = 1.13); 'my family cannot sustain me' (M = 2.98, SD = 1.17); 'need a job to gain experience' (M = 2.94, SD = 1.22); and 'am the only educated family member' (M = 2.79, SD = 1.17).

As shown in table 6, the female respondents scored higher for the reasons they need to get employed than the males except for the 'I want to be independent' variable. A sample *t-test* revealed that most mean differences between the female and male groups were statistically significant at $p < 0.001$.

3.8 Challenges in Understanding Graduate Unemployment in Zambia

Unemployment among Zambian graduates is a complex issue requiring extensive research and intervention. Graduate unemployment is a multifaceted problem and requires an understanding of the underlying factors that contribute to and protract this issue. Unemployment in Zambia

is a potential area for research, which lacks crucial data – data that would be informative in the formulation of solid intervention strategies to mitigate youth unemployment.

3.8.1 Lack of Data on Unemployment in Zambia

Any country wishing to reduce, if not remove, the ravages of poverty, must find ways to provide decent and productive jobs for those affected, whether an entire country, or merely a few of its citizens, is affected. Poverty reduction can often be facilitated by having access to regularly available data on employment and unemployment, as well as other labour market measures, including information on the demand for work. Such data in itself, of course, cannot solve these problems. In other words, the mere existence of data for a country does not facilitate either economic development or decent and productive employment per se. However, with regular access to data, it is often possible for governments, the private sector and the international community to devise positive strategies to create decent well-paid jobs, train people to fill them and, therefore, greatly improve the employment situation of the country, while also reducing the incidence of poverty. Non-availability of data makes it harder, if not impossible, to target policies and may even offer the government of Zambia excuses to do little or nothing due to lack of unemployment statistics to base their policies on.

It is true that the collection of data on the labour market situation in countries can be an expensive exercise. However, unless these data are obtained on a regular basis, countries can use their absence as a justification to devote (often meager) resources to other areas, and thus avoid focusing attention where the greatest problems lie. Everyone in Zambia concurs that poverty must be reduced and that decent jobs must be created. But, to do that, Zambia must know where to pinpoint their efforts: in the rural or urban sectors; in agriculture, industry, or services; towards more wage and salaried jobs for women, youth, or adult men; etc. All of these areas will require a constant focus of attention. Having good, current data is essential.

Although reference has been made to unemployment in Zambia, especially among university graduates, by some government officials, NGO officials and general members of the public, there is still insufficient data to show the extent of the problem. The unavailability of up-to-date and concrete data on employment and unemployment rates in Zambia was one of the more surprising finds of this survey. The planning units at concerned government ministries lacked data on young people and their employment outcomes. Even the ILO Zambia office, which is supposed to conduct school-to-work transition surveys, has never implemented these surveys and lacks data on employment outcomes of young people. The Ministry of Labor and Social Security's planning unit, which is supposed to keep up to date and reliable data on employment and unemployment rates in the country, lacks information and is dependent on information from surveys conducted by the CSO. The ILO Zambia office estimates that only 20 per

cent of the total labor force is in formal employment while 80 per cent is in the informal sector (ILO official, 2009). There seems to be an assumption by both the government and NGOs that the majority of individuals that do not get into formal sector employment automatically move into the informal sector. In the case of university graduates, there is no data by government or the ILO to show that they go into the informal sector and earn a living from this sector. Unemployment is, therefore, continually discussed by government and NGO officials without any proper statistics. The lack of proper information clearly impedes policy formulation as planning is done based on assumptions and not the reality of the situation. As Kanyenze, Mhone and Sparreboom (2000) observed, the lack of explicit comprehensive employment strategies in turn has meant that various institutions concerned with labor market issues have no proper policy guidance and often operate in an uncoordinated manner.

3.8.2 Aggregate Demand Deficiency

In Zambia, graduate unemployment can be associated and attributed to aggregate demand deficiency. Aggregate demand deficiency is where sluggish economic growth depresses the labor demand such that there is simply not enough work for all the people looking for work (O'Higgins 2001; MSYCD 1997). The formal sector does not offer enough job opportunities for the many qualified young people in Zambia, thus resulting in graduates competing for the few jobs. Employment opportunities in the formal sector are a good indication of economic performance and demand. The Zambian case, however, presents a scenario where the labor market growth is much higher than available job opportunities, thereby indicating stagnant or poor economic growth. In other words, the economy is not generating enough new jobs for graduates entering the labor market. As Saxton (2000) put it, a growing economy is supposed to generate employment opportunities in economic sectors to absorb new labor entrants. The fact that there are insufficient formal job opportunities indicates that the economy is not growing as fast as it should be and is, therefore, experiencing a slow growth. The problem of graduate unemployment is to a larger extent cyclical in that employment levels are influenced by growth in the business sector. Ideally the establishment of more businesses in the private sector is supposed to result in the creation of new job opportunities for all and therefore also yields more job opportunities for graduates. According to the Zambian Fifth National Development Plan (FNDP) (2005), the Zambian economy must generate more than 600,000 new jobs in net terms per year to not only ensure that the unemployment rate does not rise but also that new entrants are absorbed into the labor market. The fact that growth in the sectors is not growing as fast as the number of new labor entrants presents a major challenge to job creation. Zambia faces a number of factors that contribute to aggregate demand deficiency which are discussed in the sections below.

3.9 Factors Contributing to Increase in Graduate Unemployment

3.9.1 Contracting Formal Sector

The implementation of SAPs in Zambia did not solve the country's economic and structural problems. It had a profound effect on the formal labor market in Zambia and the employment outcomes of university graduates. The link between these economic reforms and graduate unemployment is better understood by having a more in-depth look at the formal sector opportunities that existed before and after the implementation of major economic reforms. From the 1970s to the early 1990s, the Zambian government, through its civil service, was the largest employer of graduates from the University of Zambia. The Zambian government, through its various ministries, employed graduates en masse to fill various positions around the country. The lack of highly skilled staff in the government ministries meant that new entrants were able to quickly ascend in the civil service ranks. For new entrants into a labor market that lacked skilled personnel, their university degree was a privilege and enabled them to hold positions of influence in their various places of work. The implementation of the Public Sector Reform Program (PSRP) as part of the economic and institutional reform under the SAPs resulted in the downsizing of the public sector. The Zambian government, therefore, instituted a recruitment freeze meaning that fewer graduates are being taken in to fill various positions in the civil service. This also means that recruitment and placement into the civil service is no longer completed within a year and graduates now have to wait a year or longer to be placed by the government. The selection and placement is also heavily dependent on the availability of funding from the government treasury.

The imposed labor force freeze in civil service recruitment which was implemented some years back has adversely affected many professions that are heavily dependent on the government for employment. Agricultural and Veterinary graduates, for instance, were solely dependent on the government for employment and are now among the many unemployed graduates roaming the streets.

(Senior official of Ministry of Labor Social Security)

At the moment, the set up of the private sector in Zambia does not have the capacity to create employment that can absorb all the graduates from post-secondary institutions. In the health and education sectors, which were well funded and enjoyed subsidies due to the socialist policies of the one party state, the government was able to retain health and education professionals in the government hospitals and schools. The cutback in funding, as well as insufficient private hospitals and schools, has resulted in numerous Zambian doctors and teachers leaving to work regionally and internationally. The Ministry of Health reports that out of the 2000 doctors trained in Zambia from 1978 to 1998, only 400 were working in the country (Blas and Limbambala 2001). The shortage of Zambian doctors

meant that the Ministry of Health has had to recruit Cuban, Nigerian and other foreign doctors. As a result, the Zambian government loses out in a number of ways. For example, the government is not able to retain trained doctors and therefore does not get a return on the educational investment spent at high cost to train these medical personnel. The government also has to mitigate the shortage of doctors by spending government funding recruiting doctors from outside the country, which is more expensive. A look at the private banking sector also reflects the shrinking formal sectors employment opportunities available to graduates.

3.9.2 Investment and Trade in a Globalizing World

Globalisation entails increased integration of the global economy through trade liberalisation, international technology transfers, and greater mobility of capital, information and people. In this process, the operation of Multinational Corporations (MNCs) is the most important force creating international changes in the nature and location of economic activity as well as a new international division of labour. Free trade is the core ingredient of the process of globalisation. Under this process, standard trade theory suggests that the South would specialize in the production of labour and natural capital-intensive goods, these being the factors that these countries are endowed with in relative abundance. The North, on the other hand, would specialise in human capital and manufactured capital-intensive goods and services. Thus, respectively, part of the reductions and increases in environmental degradation levels in the North and South may reflect this specialisation (Stern and Kaunga 1996).

Zambia, like many poor countries in the developing world, is at an economic disadvantage as it trades with more economically advanced countries. The implementation of economic reform meant the liberalization of trade policies and the opening up of markets for foreign investment. The removal of trade barriers has enabled multinational corporations as well as private businesses to move in and establish themselves in less developed countries and accumulate profits usually at the expense of poorer countries. Zambia is at a disadvantage in that it lacks financial resources to develop its economic sector and is, therefore, heavily dependent on foreign investment. The Zambian government depends on the private sector to fill the vacuum that has been left by the state in development. The government is optimistic that investors will create employment opportunities for the Zambian people and has declared that 'the private sector is the engine of economic growth' and all efforts need to be made to create an enabling environment for investors. The quality of current investors in Zambia is, however, not doing much to create employment opportunities for university graduates.

3.9.3 Poor Investment Policies and Unfair Trade

Zambia has attracted investment mainly from South African multinationals and Chinese private investors. However, most of the South African multi-

national companies have not done much to add to the development of the country. They have not built any manufacturing industries, companies, hospitals or schools that can provide job opportunities for university graduates. These multi-national companies have moved into the country and brought in South African products and services, thereby making Zambia a de facto extension of South Africa. Shopping malls that have been built in Zambia primarily house South African-owned stores, businesses and other social amenities.

According to the trade agreement between the Zambian government and the South African multinationals, foreign-owned companies are allowed to operate tax-free for five years. This agreement has resulted in many of these businesses moving out of the country before the deadline and after making a profit. Some of these stores return under different names in order to avoid taxes. Shoprite Checkers, a major supermarket chain that has been one of the key investors, has hardly built any new infrastructure other than to operate in former state shops. The company tends to employ casual workers who are paid very low wages and the owners of this store have been accused of racism and the ill treatment of workers (Miller 2003; Muneku 2003). Most of the South African multinationals are headed by Boers who are practicing discrimination against Zambians, The Africa Labor Research Network, in a study of Shoprite Checkers in Zambia, observed discrepancies in salaries between expatriate staff and local personnel. The network observed that Zambian managers in 2003 earned the equivalent of USD 313 a month while their expatriate counterparts earned around USD 3000 plus several allowances, even in instances when the Zambian managers had superior qualifications (Muneku 2003). Such investors also have an unfair advantage over the Zambian government as reflected when Shoprite Checkers threatened to pull out if the Zambian government did not extend its tax free period. The Zambian government went ahead and met their demands probably out of fear of the job losses that would follow. Shoprite Checkers also insisted on selling South African fresh produce until protests were made by Zambian farmers, forcing Shoprite to begin to sell some locally grown fruits and vegetables. Other South African companies that have opened up in Zambia are mainly in the retail and food business which does not offer much in terms of job prospects for the Zambian graduate. The retail businesses, mostly foreign-owned fast-food chains, practice similar policies as Shoprite Checkers and have also been criticized for their treatment of Zambian workers.

3.9.4 Chinese Investments

Investors from China have attracted a lot of controversy in Zambia and have been accused by the Zambian public of providing poor working conditions and ill treatment of Zambian workers. Many of these investors from China are running mines on the Copperbelt and have been accused of practicing unsafe mining practices. Zambia has become a dumping ground for many South African and Chinese products and services. The current foreign investors are not creating any significant job opportunities for

university graduates. The investments made by China and South Africa are profit-oriented and not improving quality of life in Zambia. For example, these investments have not created any significant employment opportunities or contributed to the tax base that would enable improved government programming. As one of the NGO official stated: “The investors who come into this country do not bank this money in the country. They reap from our country and take this back to their respective countries.”

The focus on the employment of cheap casual labor acts as a cost saving measure as employing more qualified individuals such as graduates would require more expenditure in terms of salary and conditions of service. The Zambian government appears to be in an awkward position in that it needs investors to provide employment opportunities for Zambians; yet, at the same time, it is not able to stand up against what are obviously unfair trade agreements and conditions by the current investors.

3.9.5 Shortcomings in Mining and Poor Economic Integration

In Zambia Poor investment in the private sector has resulted in the continued underdevelopment of economic sectors such as tourism and agriculture - viable alternatives to mining in revenue and job creation. In spite of the implementation of intense economic reform, the country has not experienced much positive growth. Although on paper the economy is beginning to make some strides, these viable economic sectors have not grown sufficiently to absorb new entrants into the labor market. These strides need to translate into job opportunities and a reduction in poverty levels among the Zambian people. In the case of formal employment opportunities in the NGO sector, these are limited. The NGOs that mushroomed in the 1990s are heavily donor funded and have specific programs and projects with a limited capacity to absorb university graduates.

The mines have been the backbone of Zambia's economy for over 45 years and poor investment has contributed to an inability of the economy to thrive. The poor investment in the mines means that the government loses out on royalties that can be gained from the acquisition of mines by foreign investors. The poor investment in the copper mines has also contributed to the inability of mining towns to thrive on the Copperbelt as the economic environment discourages investment. For the mining and engineering graduates, poor investment in the mines leaves them with limited job opportunities. As Mulenga (2000) observed, the current major investors in the mines are the Chinese companies that are relying on local casual labor and their own experts, which further marginalize graduates.

3.9.6 Stiff Competition in the Job Market

A shrunken formal sector, poor quality and limited investment has resulted in a small and competitive labor market. This has encouraged aggregate demand deficient employment with more graduates than there are jobs in

the formal sector. This presents a number of problems for graduates as they find themselves marginalized from the formal employment sector. Employers have to restrict the number of job applications and therefore raise their requirements from job applicants. Most employers insist on work which many new entrants to the job market lack. During the time of this research all the job postings in newspapers insisted on work experience of not less than three years. Preference was also being given to individuals with a master's degree, which further disqualifies those holding undergraduate degrees. One of the focus group participants had this to say: "When you are asked for experience by employers, it is really difficult, you are just coming out of university and they want five years' ... two years' experience. It's a really great challenge for me because most of the adverts want experience and all that" (FGD participant 3).

Another participant, commenting on experience as a requirement by employers, observed that: "Another barrier is that experience blocks us from having an entry point. We can't just get into the system because jobs keep on circulating among those that are already working or have experience. So it becomes difficult for fresh graduates to find jobs because they want experience which we don't have" (FGD participant 7).

The participants in the focus group discussion (FGD) felt isolated by this attitude by employers. Another remarked, "Our friends who are now employed say that 'you are just a graduate,' and that what they want is experience." (FGD participant 1).

3.9.7 Mismatch between Education and the Labor Market

The Zambian education system contributes to the marginalization of university graduates in the current labor market. There seems to be a mismatch between the education that is being provided at universities and the demands of the current labor market, which tend to exclude graduates from being able to perform in the formal sector. Although the labor market in Zambia has undergone changes, the education provided at the University of Zambia has not changed. The University of Zambia currently offers twenty four degrees in the sciences and arts, fourteen of which are science-based degrees. In recent years the university has also introduced new science-based degrees in nursing, environmental health and dental surgery. Most of the programs that are being offered at the University of Zambia do not seem to match the current labor market needs which in turn marginalize university graduates.

Universities and colleges have been operating in isolation from the job market; there has not been proper linkage between what the job market is offering and what the university produces. I think that has been one of the major problems in that, the university is offering courses that are not relevant to the current needs of the job market. The job market prefers courses from other colleges and institutions which are more relevant than those of the university. (FGD participant 4).

Airtel, a mobile phone corporation, is one of the leading employers in Zambia. It provides opportunities for many young people who have a technical education background and are more versed in Information Technology. However, graduates from the University of Zambia tend to lack skills in information technology. There seems to be a definite mismatch between what the job market is looking for and what university graduates have to offer. The education offered at the University of Zambia tends to be more theoretical and lacks practicality. Students do not have the opportunity to be practical in their learning at the university. The education system also encourages rote learning and does not promote critical thought. There is a need to overhaul the entire education system starting with the current Education Act of 1966. Some of the interviewees had the following remarks to make on the education system.

Although colleges and universities are dishing out these graduates, when they go into the labor market you find that their skills are not required. Once a person graduates, all they have is theory and the problem is that the industry does not buy theory, they require practical skills. The orientation of the training for white collar jobs needs to change. (Official of Ministry of Sport, Youth and Child Development).

Another Ministry official stated the irrelevance of the current degrees and a need for more technical degrees:

Everyone with a diploma or degree was a powerful person (in the past) but this time it's not just having a degree in psychology. Who is going to absorb you? Philosophy? You are even better off being an auto mechanic so that you can make your own firm and employ others. (Official Ministry of Labor and Social Security).

The ILO official also added to these sentiments stating that there was a definite mismatch between the labor that was being supplied by the university and the demand from the labor market. This has added to the structured unemployment among university graduates as most of the young people have skills that are marginalizing them from the labor market.

3.9.8 The Nature and Rigidity of Academic Programs

The design of the current University of Zambia programs is rigid and do not make allowance for students to learn essential transferable skills, which tends to marginalize them when they make job applications. In the past, employers were looking for graduates to fill vacancies but now employers also demand specific skills and the fact that students are not always able to learn transferable skills works to their disadvantage. The rigidity of the programs is such that students who, for instance, pursue a science such as chemistry or biology are not allowed to take courses outside their department. Lamenting the rigidity, one of the interviewees stated: "At the University of Zambia, where I did my studies, when you are taking sciences you are not given an opportunity to study certain courses like project management or communication skills, you just take sciences." (Focus group discussion participant 6).

The inflexibility in degree programs marginalizes graduates, making it difficult for career change and for seeking employment outside the sector from which they have received training. Another problem with the design of the current programs is that they do not encourage young people to be innovative or think as entrepreneurs. These programs encourage young people to be job seekers in an office set up. A classic example is that of university graduates from the school of agriculture who often perform more office duties than practical field work. This practice can be traced back to the British colonial education that encouraged white collar employment over blue collar employment. Academic programs are designed to produce employees and not employers as there is a lack of emphasis on the development of entrepreneurial skills. The academic programs tend therefore to inculcate a mindset that is focused on obtaining a job in the formal labor market and not the informal labor market.

The labor market has changed and can no longer absorb as many university graduates as it did in the past. A degree is no longer the gateway to a well-paying job in the formal sector and there is a need for the Ministry of Education to re-evaluate the entire curriculum. In the same manner that the ministry was devoted to changing the traditional gender roles taught in schools, so should the enthusiasm be in overhauling the entire education system at all levels. Rote Learning needs to be removed from the education system and young people need to be encouraged to be innovative. The curriculum needs to be designed to enable young people to be practical in their learning. Young people need to be encouraged to be critical thinkers and individuals who hold the solution to the country's development. At the university level, there is a need to re-evaluate the nature of the academic programmes that are offered. Programmes that are geared toward development should be encouraged and the university should look into providing courses relevant to the challenges that Zambia is currently facing. Efforts need to be made by learning institutions to equip young people with the skills that are essential to the labor market such as entrepreneurial and IT skills.

3.10 A Change in the Status of Being a Graduate

Getting a place at the University of Zambia is considered prestigious as only the best of the country's top scoring students from high school are selected due to the limited number of places. These students were considered the best and most promising young people in the country because of their high academic achievements. The privileged status that a graduate has enjoyed in Zambia has slowly begun to change due to their inability to secure employment to help look after themselves and their families. The focus group discussion participants felt that they got a mixed reaction from society although they often felt that they were looked down upon for not living up to society's expectations. "Treatment varies: some are sympathetic while other people laugh at us because they expect someone who has been to the University of Zambia to find a job. We are

ridiculed because that has not happened.” (Focus Group Discussion participant 2)

A university graduate in Zambia is perceived in a certain way, which can be attributed to the privileges that graduates enjoyed before the contraction of the formal labor market. A graduate is expected to have a higher paying job than a less qualified counterpart, expected to present himself in a particular manner; and is supposed to live up to these expectations.

3.11 Inadequacies, Family Burdens and Increased Poverty

The lack of income from employment means these individuals are not able to meet their material and financial needs. Zambia does not have a welfare system or social services in place that can look after the unemployed. Unemployed graduates therefore continue to be dependent on their families at a stage when they are supposed to be financially independent adults. The lack of income for unemployed graduates increases family burdens as families spend financial resources which can be used elsewhere to look after them. Graduates are expected to be an anchor and offer some financial relief to families because of the communal nature of Zambian society. University education is supposed to yield financial returns for parents who have invested in their children’s education. University education is expensive even though the government introduced cost sharing where students pay 25 per cent of the tuition and government pays the remaining 75 per cent. As of June 2012, students on government bursaries were paying on average, K1, 625 (US\$ 306) a semester while self-sponsored students were paying K 6,500 (US\$1,220) each semester. The fees are expensive and not within reach of the average Zambian.

Some graduates do not only feel disappointment at not being able to get a job but also tend to feel that they have let their families down. “If I have something, it’s just not for me; it’s for my mother, my brother, my sister. Sometimes you find you are the only graduate in the family - people are looking up to you but you have not done anything.” (FGD participant 5).

The inability of the graduates to contribute to economic development through formal employment counts as a loss for the Zambian government which spends financial resources to train these young people.

3.12 Underutilized Human Capital in Zambia

The investment of tax payer’s money in human capital that is not being fully utilized by the country amounts to the waste of both human and financial resources. The Zambian government spends a substantial amount of tax payer’s money to subsidize university education. The government provides a subsistence allowance to every government sponsored student on a bursary and pays 75 per cent of all tuition. The inability of graduates to find formal sector employment after all the resources poured into their training by the government is a waste of valuable tax payers’ money if the investment in education is not put to good use. The government fund spent

on education is not providing full returns on investment under the current circumstances. "Everything possible should be done to put these young people in jobs because not doing so will be very costly to our country. Let's not forget the consequences of unemployment on poverty, crime, political instability, mental health problems and diminished health standard," (NGO official).

More educated young people will continue to look for opportunities outside the country in order to earn a better living and Zambia will continue to grapple with underdevelopment as these young people go and seek employment in other countries. Those who find work in South Africa or Botswana, where there is a high demand for Zambian professionals, are almost guaranteed high returns on their education.

In this context, a human resource consultant had this to say:

Until you have an unemployed youth or a young graduate in your home or amongst your family members struggling to find employment, you will never know just how hard it is for these youths to find employment. Unless you work in an institution like ours where we are a link between job seekers and potential employers, you will not understand how heartbreaking it is to tell a young graduate that they cannot be considered for a job because they have no experience. In the many years that I have worked as a Human Resource Consultant, I can count the number of companies that have asked us to recruit young graduates with no experience. My team and I face youths and their parents everyday asking us where we expect them to find the experience required when they are not even given an opportunity to work and gain the experience.

There are many dimensions to this challenge of youth unemployment, a lecturer in Human Resource added:

I have come to realize that a lot of youth unemployment is caused by the lack of career guidance at the point where pupils are about to make a career choice. I can comfortably say that out of every 100 unemployed youths, above 90 youths are looking for white collar jobs; in fact I cannot remember the last time young graduates approached us saying that they were a bricklayer, plumber, mechanic, architect or tiller. Every other youth you speak to wants to work in the bank because they are convinced that if one wants the good life which includes a BMW and a house one must work in a bank or a white collar job. Our children are being let down by a system that fails to expose them to other professions which then makes it easier for them to either start their own businesses or work in an industry that always has a shortage of skills.

Another challenge that is contributing to youth unemployment is the fact they have no clue whatsoever about what to expect from industry when they start the job search process. One NGO official explains this thus:

Most graduate have no idea what sort of jobs they are going to apply for, as such when I ask a young graduate the type of job they are looking for they

simply say, “anything in accounts or anything in the bank,” and a popular one is “anything in the NGO Sector”. They do not have information as to the exact positions that are found in organizations. The onus is on institutions of learning to make contact with Human Resource professionals so that we can come and give guidance to the students on the realities of the job search process and how to market themselves. Whilst we do have a challenge of youth unemployment, there are many youths who are getting employed for the simple reason that they have mastered the job search process and have managed to brand themselves and sell themselves convincingly to potential employers.

3.13 Employment Policy in Zambia’s Plans

Vision 2030 explicitly states that employment creation is a priority if Zambia is to become a middle-income country by 2030. The Fifth National Development Plan (FNDP) theme puts employment at the centre: “Achieving broad based wealth and job creation through technological advancement and citizenry participation”. In table 7, the SNDP projected a decrease in unemployment up to 2015. It further predicted that the total percentage of employed labour force would increase from 84 per cent in 2010 to 90 per cent in 2015. The percentage of formal labour force would increase from 8.5 per cent in 2010 to 20 per cent in 2015 and the informal employment percentage would decrease from 64.7 per cent in 2010 to 50 per cent in 2015.

Table 7. Employment in the Sixth National Development Plan

National KPI	Baseline year	2011	2012	2013	2014	2015
Unemployment	15	14	13	12	11	10
(a) Total employed (per cent)	84	85	86	87	89	90
(b) Formal employment (per cent)	8.5	12.5	14.5	16.5	18.5	20
(c) Informal employment (per cent)	64.7	60	58	55	53	50

SOURCE: SNDP:14

3.14 How Is This Employment Created?

Investment Policy in SNDP to Guide Employment Creation states thus:

The policy of Government is to accelerate private sector investment so as to achieve increased and diversified growth. Government will, therefore, continue with the strategy of attracting investment through facilitation by Zambia Development Agency and improving the overall business and investment climate. Deliberate efforts will be made to linking FDI to the domestic economy in order to broker linkages with SMEs with the view of increasing their productivity, capacity and ability to penetrate into larger markets. The overall effect intended is the creation of decent employment in the various areas of investment.

In this regard, the private sector has been given the mandate to create employment through the liberalised economy; therefore, the Government can only provide an enabling environment.

3.15 Analysis of Past Performance Using Zambia Development Agency Data

Table 8 shows the differences that existed between the pledged and actual investment between 2007 and 2010.

Table 8. Pledged vs. actual investment, 2007-2010

Sector	Pledged	Actualized	Implementation rate (%)
Agriculture	441,285,254	70,104,359	15.89
Construction	78,100,376	19,375,270	24.81
Education	18,777,000	3,721,969	19.82
Energy	1,398,843,661	270,889,903	19.37
Finance	38,000,000	18,685,036	49.17
Health	99,388,900	43,678,253	43.95
ICT	284,580,264	36,194,275	12.72
Manufacturing	2,773,441,354	770,305,366	27.77
Mining	8,120,187,039	598,449,504	7.37
Real Estates	521,763,456	115,455,527	22.13
Service	265,712,145	28,112,049	10.58
Tourism	436,427,343	168,958,205	38.71
Transport	388,942,838	36,633,967	9.42
Total	14,865,449,630	2,180,563,684	14.67

The results in table 8 indicated that overall implementation of investment is disappointing, with only 15 per cent of investments carried out. The only sectors with significantly higher implementation are finance (although the amount is fairly small), health and tourism. The largest investments took place in manufacturing, mining, and energy. Mining has a huge pledged amount – these are largely because of the following pledges: Zhongui Mining (US\$ 5 billion), Kansanshi Mine (US\$ 800 million) and Caledonian Mining (US\$ 600 million).

3.16 Pledged vs. Actual Employment, 2007-2010

Table 9 shows the differences that existed between the pledged and actual employment between 2007 and 2010.

Table 9. Pledged vs. actual employment, 2007-2010

Sector	Pledged	Actualized	Employment rate (%)
Agriculture	6,505	954	15
Construction	3,013	477	16
Education	120	8	7
Energy	534	21	4
Finance	21	-	0
Health	476	92	19
ICT	432	382	88
Manufacturing	23,276	7,257	31
Mining	8,630	279	3
Real Estates	1,957	2	0
Service	7,774	353	5
Tourism	3,799	211	6
Transport	2,198	165	8
Totals	58735	10201	17

The results in Table 9 indicate that the overall employment rate is disappointing, with only 17 per cent of employment actualized from the total pledged. The results show that implementation generally was disappointing comparable to investment. Zambia should find other ways of expanding the labour market rather than depending on foreign investment.

4. Conclusion

Graduate unemployment, like youth unemployment, is a complex socio-economic phenomenon to study. There are a number of underlying factors that contribute to the problem both internally and externally. The significance of assimilating university graduates into the Zambian labor market cannot be overemphasized. Young people represent human and social capital and can make a meaningful contribution to the Zambian economy. Their skills, training and social networks can empower not only them but also the larger community. Graduates are among the brightest and most promising young people in the country and their economic empowerment will enable them to be active participants in the political processes in the country. The research uses the Human Capital Theory and Social Capital Theory as a lens through which to understand unemployment among this group of young Zambians. As already argued, the Human Capital theory emphasizes the centrality of education, skills and training in building the human capital that forms the foundation for any society's social and economic development. Again as already shown by Major and Binde (2001), Bonnell (2000), Curtain (2000) and Mkandawire (1996), the Zambian government, following independence, recognized the value in this philosophy and invested heavily in educating and training its young people. However, as this paper has argued, the benefits of such

investment became increasingly limited following the implementation of SAP about three decades later. Privatization and retrenchment took their toll on the labour market, shrinking the formal sector's capacity to absorb the products of the government's education policies, thus producing a demand-deficient labour market. The low demand for labor has been exacerbated by the curriculum's failure to adjust to the needs of the changed job market. Education can empower young people. However, Zambia's current education model has tended to produce laborers when the economy can accommodate them or discard them when it cannot; it has not produced fully empowered innovators and entrepreneurs who can take charge of their economy.

The School of Natural Sciences is considered the most prestigious school by students at the University of Zambia. Only students with the highest scores nationwide are selected into the school of natural sciences. There is a class system which has existed among University students which seems to be disintegrating as science students are increasingly finding it more difficult to be assimilated into the labor market than are the art graduates. A graduate in sociology or education has a better chance of finding work in an NGO or government agency than a science graduate because they acquire more transferable skills through their course work. An education graduate who does a Bachelor of Sciences in Education with a chemistry major has higher employment prospects than a graduate who obtains a Bachelor of Science in Chemistry because the education graduate has taken compulsory management courses which is more likely to be accepted by a prospective employer than the science graduate who only took chemistry-related courses.

Besides acquiring transferable skills, arts graduates are better able to be assimilated by NGOs. NGOs need facilitators, development workers, community workers, adult trainers, Program and project managers, etc., among other positions which often require an individual with an arts based degree. NGOs have more vacancies for arts-based graduates than science-based graduates whose degrees are not usually in line with the work of NGOs. A review of job postings in the Zambian daily papers reflects the bias towards graduates from education and the social sciences. Most of the NGOs in Zambia are focusing on social issues such as reproductive health, gender issues, vulnerable children and issues centered on young people. The FGD participants reflected on the difficulty of science graduates in getting into the labor market. The participants discussed how graduating from the sciences was no longer admirable and that it was now more profitable to pursue a career in the arts than in the sciences. Parents, especially those from lower income families, are more likely to prevent their daughters from getting a science-based degree or even further education if the employment outcomes do not improve.

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CHAPTER 2

Graduate Preparation in Ethiopian Public Higher Education Institutions: Perceptions of Academic Staff

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1. Introduction

1.1 Background of the Study

Rapid expansion of the higher education sector in Ethiopia since 1991 has produced a huge number of graduates which the labor market cannot absorb. More university graduates are experiencing difficulties in finding jobs. Others take a longer time to search and find a job. Even worse, graduates on the job are not as successful as they ought to be. To overcome unemployment or in search of better income, university graduates are joining non-professional jobs in the informal sector such as daily labor in the construction and service sectors. This has become a practice blessed by government as indicated in official statements on state owned media while criticized by the public including academia. Given that public universities have mushroomed and both enrolment and graduate size have significantly increased, the issue of graduate preparation needs to be debated and studied. The issue has not attracted attention in the academic literature, however. This research intends to fill this knowledge gap.

The argument, in this research, is neither about the need for those 31 public universities nor about whether more graduates are required. Given that the country has a population close to 90 million, and that student enrolment is still less than 5 per cent, the norm of Sub-Saharan Africa, arguments would not be academically sound. Viewed from the points of view of employability of graduates, the needs of the graduate labor market, and the economy's being agrarian, however, expansion is not an end in itself. Graduate preparation for the labor market plays a pivotal role. Hence, graduate preparation operationally defined as stakeholder involvement, focus of teaching, and guidance and counseling service needs to be studied.

1.2 Statement of the Problem

Public higher education institutions in Ethiopia are expected to produce quality and competent graduates based on proportional balance of graduate labor demand and supply. Graduate preparation is a means to that end. In

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line with, universities should listen to market on a continuous basis; transform rapidly and flexibly; and demonstrate responsible management by adhering to ethical rules in order to mediate the tension between the demands of the market and academic mission (Salmi 2007).

Public universities could strive to offer courses in areas that are demanded by employers, and to effect curricula that equip students with competencies needed by the workforce. This necessitates participation of stakeholders (government, labor market, students, associations, etc.) in the higher education system. This is because their participation in the professionalization of graduates can help in producing graduates employable in the graduate labor market.

Public interest is best served when graduate preparation enhances knowledge of subject matter, appropriate methodological skills, ability to learn as jobs change, and professional competence to growing labor market. Other attributes to develop include working individually and in teams, having personal and transferable skills (Nunan 1999), skills to solve problems, and computer literacy (Barten 2006). All these evolve from relevant training programs, adaptable curriculum and program audit. In addition, proper guidance and counseling services serve the purpose. Furthermore, measuring program effectiveness involving stakeholders is important in order to demonstrate whether training programs meet objectives, whether the programs need to be adjusted, changed or expanded. Hence, for a healthy national system, preparation of graduates is of paramount importance.

A higher education system that focuses on labor market needs and employability of graduates, and that predicts future trends (Barten 2006) depends on up-to-date data on recruitment criteria. Despite this, more graduates are produced than jobs available though employment data were incomplete (ILO 1999). In developing countries like Ethiopia, employment data is scarce and graduate unemployment is high. Universities are often accused of offering programs of poor quality and of little relevance to labor market needs (Salmi 2009). Paradoxically, both oversupply of graduates and shortage of competent professional work force are observed (Tjeldvoll, Welle-Strand, and Bento 2005).

Undergraduate enrolment in Ethiopia grew from 203,399 in 2006/7 to 447,693 in 2010/11, undergraduate degree graduates rose to 75,348 in 2010/11 from 29,845 in 2006/7 Academic Year. Increasing student enrolment and establishing new higher education institutions and programs need to be followed by updating existing programs and discontinuing others. Stakeholder participation in these endeavors, including in tracer studies, could be a viable option. Nonetheless, stakeholder participation has been reported to be low (Habtamu 2000, in Tjeldvoll, Welle-Strand and Bento 2005). Neither were public higher education institutions reported to provide high demand courses as such as accounting, business management

and information technology (Gelaw 2002, in Tjeldvoll, Welle-Strand and Bento 2005, 63).

Given this scenario and the existing graduate labor market, public higher education institutions must listen and respond to what employers say about hiring preferences, what graduates say on their (professional) preparation, and what teaching staff say about quality and relevance of academic programs and graduate profiles. In line with this, graduate preparation entails the following: (a) Providing students with adequate information about the labor market so that students can choose appropriate paths; (b) Strengthening links between higher education institutions, employers and employees in designing and effecting programs and curricula; and (c) Advising concerned parties on priorities, policies and strategies, and practices.

In light of these, this research attempts to answer the following research questions as regards to graduate preparation. (1) Do stakeholders participate in training program design, curriculum development and review? (2) Does teaching focus on skills that enhance employability of graduates? (3) Do public universities provide vocational guidance and counseling to their students?

1.3 Significance of the Study

Higher education institutions, in structure, purpose, teaching and learning, should envision employability and fitness of their graduates. No evidence shows the extent to which higher education policies, strategies, programs and practices are linked to causes of graduate preparation. Therefore, the results of this research are expected to inform policy makers and practitioners on the state of the matter and what action/s need to be taken for better graduate preparation. This benefits future graduates, the graduate labor market, public universities, and the public at large.

1.4 Scope of the Study

The study limits itself to public universities operating in 2011. Public universities were selected for the following reasons. (1) They are established by the Federal Government not for profit purpose; (2) they are governed and supervised by the Ministry of Education; (3) they are funded by the federal government using same funding formula; (4) the Ministry of Education centrally places students; (5) the universities execute the same curriculum; and (6) the same pay and working conditions are effected.

2. Review of Related Literature

2.1 Vocational Guidance and Counseling Service

Universities support students in transit from school to institutions of higher education, and in getting prepared to the world of work. In addition, they offer students assistance in job search (Teichler 1998, in Lindberg 2007: 624). The latter service helps graduates to quickly transfer to the world of

work in the shortest time possible. Using their web sites or other means, higher education institutions should provide up to date information on rates of graduate employment and the extent of their graduates' employment (de Weert 2011).

Turning to Ethiopia, policy documents expect public universities and individual academe to provide vocational guidance and counseling service. This includes: (1) informing students about the content, structure, and requirements of each course (Article 23.1); (2) providing them with specialized academic advice and counseling related to and throughout their studies (Article 23.2); (3) taking remedial actions where academic advice and counseling reveal the need (Article 23.3); and (4) exploring and establishing a system of pre-admission counseling on study choice (Article 23.4) (Proclamation No. 650/2009).

In addition, individual academe is expected to assist students in need of special support, and to render academic guidance or counseling services (Article 32,1a). The graduate preparation, therefore, entails strong institutional arrangements that regularly guide and counsel students, and collects statistics on the said services and their effects on graduates' preparation.

2.2 Stakeholder Engagement

In order to produce competent graduates, universities should collaboratively work with employers in the design and delivery of academic programs, research and knowledge transfer, placements, internship and workplace learning (de Weert 2011: 35). Such collaboration includes: carrying out liaison with staff in career-development modules, embedding employability in the curriculum, and supporting work experience. Furthermore, higher education institutions collect job-market information and make it available to students. This prepares students for job interviews, encourages them to search for part-time and casual work opportunities, to run job related clubs, and to organize workshops on related areas.

Employers can involve in governing structures (e.g., governing bodies, advisory boards, university councils), in committees (e.g., program approval committees), in meetings (between academia and employers), in teaching and evaluation (e.g., internships and final work of students). The collaboration can also depend on personal contacts between employer representatives and university staff (de Weert 2011).

Engagement of labor market ensures that universities' graduates are what employers need. Due to their involvement, for instance, universities improve labor market value of each course. Also, academic programs can be rearranged and adapted to innovations. In line with this, public universities in Ethiopia were expected to establish cooperative relation with stakeholders in the design and development of curriculum, in research, and overall periodic evaluation of the system (Articles 4.6 & 8.7).

2.3 Teaching-Learning and Related Matters

Student-centered strategy helps to develop the following of skills: (a) Activating learning environments, such as problem-based learning and project-oriented learning provides students with more generic and reflective competencies than learning environments in which the teacher is the main source of knowledge and information. (b) Graduates who passed through problem-based learning environments possess the competencies of cross-disciplinary thinking, problem-solving ability, working independently and in teams. (c) Graduates who gained analytic competencies, learning ability, working independently and in a team were better able to develop job-related competencies. Similarly, teaching which emphasizes oral presentations, the use of 'real world' examples, group working and the introduction of more final-year projects develop independent learning skills. In sum, activating learning environments are preferable because they enable students to acquire general and reflective competencies.

Countries make efforts to improve and expand the information about the labor market value of individual courses. In this regard, Science and Technology, Engineering and Mathematics, modern foreign languages, minority languages, and quantitative social sciences (de Weert 2011) were identified as strategically important. Because, graduate employability demands these and many more skills, graduate preparation needs not only to recognize and acknowledge the pursuit of academic excellence and development of employability skills but also to provide students with the best opportunity to pursue and grow in a career.

In addition, better graduate preparation requires other inputs such as staff qualifications, teaching facilities and infrastructure, and work-related learning. This is because graduate preparation is a reflection of the quality of academic staff, learning resources (libraries, laboratories, etc.) and funding.

To conclude, other things remaining constant, teaching (both in content and strategy) that poses a well defined and relevant problem to the learner, active learning strategies, use of appropriate tools and techniques, data collection and analysis, drawing relevant conclusion, etc, enhance employability of graduates. Public higher education institutions in Ethiopia should take a much stronger proactive position, and have to emphasize the development of relevant skills in their teaching and students' learning. It is then that public universities in Ethiopia can declare that their graduate preparation enhances the desired competencies to meet growing public demands and changing needs of the labor market.

3. Research Design and Methodology

3.1 Participants of the Study and Sample Selection

The population of the study was all (31) public universities operating in Ethiopia in the 2011/12 Academic Year. Of these, three universities were

selected. First, 22 of them with prospective graduates were identified, and classified into three generations. Next, one university from each generation was selected. Following this, colleges/faculties having prospective graduates were selected. At this point, care was taken to draw samples from different fields.

Academic staff from those institutions and departments participated in the study. This is because academic staff can assume responsibility for evaluating graduates' preparation in terms of services provided to prospective graduates, training programs and courses, and modalities. Selection of study participants considered field of study in order that vocational studies, professional trainings and academic streams would be represented. Furthermore, care has been taken in the inclusion of the recently introduced professional mix of university training programs (70:30) of science and technology and humanities.

Bearing these in mind, fulltime teaching staff participated in the study. Because their students were on the verge of completing study programs and getting towards graduation, academic staff would consider issues of graduate preparation vis-à-vis employment. Therefore, their perception of how much prospective graduates are prepared professionally, and how much competently they could join the labor market would be of paramount importance. In addition, they can identify strengths and gaps – both at policy and practice levels – in graduate preparation.

With this in mind, 496 fulltime teaching staff (i.e., 15 per cent of the sampled universities) were selected to participate. This sample size is more than adequate for a survey study of its kind (Gay, Mills and Airasian 2009). The figure was made high assuming non-response rate and demographic variability such as gender, qualification and academic rank.

For the purpose of the research, public universities in Ethiopia can be classified roughly into three generations: before 1991 (Addis Ababa and Haramaya), 1992-2000 (e.g., Bahir Dar, Jimma), and 2001-2010 (e.g., Debre-Markos, Jigjiga). Though all public universities are teaching and research universities, only Addis Ababa University, Haramaya University and Bahir Dar University run PhD programs. Some others (e.g., Dilla, Gondar, and Jimma) run undergraduate and Masters programs. Others run only undergraduate programs (e.g., Axum, Dire Dawa, Wollega).

To shed light on their establishment, some universities were formed by merging colleges (e.g., Bahir Dar University), others by state legislation (e.g., Debre-Berhan), still others progressively (e.g., Haramaya University). All public universities serve the same traditional missions. Taking these into account, one university from each generation, namely, Addis Ababa, Bahir Dar and Jigjiga, has been selected.

Addis Ababa University, located in the heart of the capital city Addis Ababa and was established as a national university in 1950 (Teshome 1990) is the largest and the oldest university in the country. Arguably considered

as Flagship University, it is better staffed and runs diversified programs including research and PhDs in 59 fields. The University started graduate programs in 1979. Interestingly, the University has long been affiliating the then colleges now elevated to university level (e.g., Bahir Dar Teachers' College). Its academic staff, according to statistics of the Ministry of Education (2010/11), total 1683 (F = 186 and includes 100 expatriate staff).

Bahir Dar University, situated 563 km in the Northwest of the country, was established in the Amhara Regional State's capital, Bahir Dar, by merging the former Bahir Dar Teachers' College and Bahir Dar Polytechnic Institute. This was in May 2000 following the Council of Ministers Regulation No. 60/1999. Bahir Dar Teachers' College (now Faculty of Education and Behavioral Sciences) had been established in 1972 as the Academy of Pedagogy. Merging these institutions and opening new faculties (e.g., Business and Economics) enabled the official inauguration of the University in May 2001. The University runs both undergraduate and graduate programs including PhDs in some fields (e.g., Educational Psychology, English). The University runs over 53 undergraduate and 30 graduate programs. The University responds to regional needs and local resources (e.g. The Institute of Land Administration, Maritime Academy). Its academic staff, according to statistics of the Ministry of Education (2010/11), totals 1114 (F = 124 and includes 10 expatriate staff).

Jigjiga University, situated 628 km Southeast of Addis Ababa and located in the capital of Somali Regional State, is the only university in the region. It came into existence on 26 March 2007, and started its operation with 712 students, 66 academic staff and 99 administrative staff. During the past years, its student enrolment in all its programs has grown to 12,357. Its faculties include Business and Economics, Education, Dryland Administration. The latter faculty can be taken as a response to regional interest. Its academic staff according to the Ministry of Education (2010/11), totals 541 (F = 23 and includes 15 expatriate staff).

At least five colleges with prospective graduates were drawn from each university. With this, 15 per cent (= 496 i.e., 252, 167 and 77 from Addis Ababa, Bahir Dar, and Jigjiga universities, respectively) of fulltime teaching staff (N = 15,886, F = 1396) having a rank of lecturer and above) were randomly selected.

3.2 Instrument of Data Collection

Teacher questionnaire, developed by the researcher in English, has been employed. The questionnaire items were drawn from reviewed literature, legislative and institutional documents. Its validity and reliability have been checked using three experts in related areas. Incorporating feedback, it has been improved.

The questionnaire contained closed-ended and one open-ended items. These include: stakeholder involvement in academic program development (6 items), focal areas of teaching and learning (9 items), and vocational

guidance and counseling services provided to students (6 items). The open-ended items were intended to solicit the opinion of respondents. The questionnaire items were preceded by a cover letter stating the purpose of the research, potential benefits, anonymity, and procedures for filling it, together with a section dealing with biographical data such as age, gender, qualification and academic rank.

3.3 Data Collection Procedure

The principal researchers, together with three on-site research assistants, collected the data. The assistants had a rank of lecturer. They were thoughtful, critical and similar to intended research participants. Their familiarity with the campus in question and previous similar undertakings have been advantages. The assistants have been trained for a day on site, demonstrating the skill to carry out the data collection.

Then 496 questionnaires (as specified above) were dispatched for self-administration. The data collection took place from January 2012 to April 2012. Filling in the questionnaire took about 30 minutes on average. Three hundred ninety-seven questionnaires were returned out of which 348 (70.16 per cent) were completed and usable.

3.4 Data Analysis Procedure

First, data capturing template has been developed (for the quantitative data) using Microsoft Office Excel 2007. This minimizes error in data capturing because it only accepts restricted values (as initially defined) into each cell. Once the data were captured, it was transferred to SPSS Version 20 for analysis. Following this, descriptive statistics such as frequencies, percentages, and chi-square analyses were run, alpha set at .05 level. Meanwhile, qualitative data were (re)read, organized and analyzed along the quantitative data. Written responses selected by the researcher as critical ones were extracted, quoted and used in the analysis.

4. Data Presentation and Analysis

First, demographic data will be presented. This will be followed by results on variables of research interest vis-à-vis stakeholder involvement, focus of teaching-learning process, and provision of vocational guidance and counseling services.

4.1 Demographic Data

Respondent characteristics vis-à-vis age, gender, qualification, academic rank, etc., are presented below. As can be noted from table 1, the majority (about 67 per cent) of respondents are in the age range of 20 – 39 years, while about a third (i.e., 33.2 per cent) were 40 years and above. If not proportionate, respondents' age distributes across the expected range. The fact that the majority are below 30 years, may relate to the rapid expansion of the sector.

Table 1. Participants by age

Age	Frequency	Per cent	Cum. Per cent
20 – 29	119	34.7	34.7
30 – 39	110	32.1	66.8
40 – 49	81	23.6	90.4
≥ 50	33	9.6	100.0
Total	343	100.0	
NR*	15	—	

Note: NR* stands for 'No Response' to this specific item.

Turning to gender, only 23 (6.9 per cent) were females. One can easily see that females are far less represented. Though females' representation by far lags behind their male counterparts (93.1 per cent) in the sector, the above figure is close to the 2011/12 national statistics which puts females at 9.56 per cent (MoE 2012).

As regards qualification, table 2 shows that a significant majority, close to a third quarter, are Master's degree holders. This figure is well over the expected (i.e., 50 per cent). On the contrary, those who hold a terminal degree are quite below the expected (i.e., 30 per cent).

Table 2. Participants by qualification

Qualification	Frequency	Per cent	Cum. Per cent
BA/Sc	52	15.2	15.2
MA/Sc	246	72.1	87.4
PhD	41	12.0	99.4
MD/DVM	2	.6	100.0
Total	341	100.0	
Missing	7		
NI*			
Total	348		

Where, NI* = Qualification not indicated.

Similarly, table 3 shows that the majority hold positions of lecturer and assistant lecturer. A very small proportion hold ranks of assistant professor and above.

Table 2. Participants by academic rank

Rank	Frequency	Per cent	Cum. Per cent
ASSLEC	51	15.0	15.0
LEC	233	68.3	83.3
ASPROF	49	14.4	97.7
ASOPRO	6	1.8	99.4
PROF	2	.6	100.0
Total	341	100.0	
Missing	7		

Note: ASSLEC = Assistant Lecturer, LEC = Lecturer, ASPROF = Assistant Professor, ASOPRO = Associate Professor, PROF = Professor

From the above demographic data, one can learn that much remains to be done in order to have a balance in gender, qualification and academic rank. This becomes so serious in the new universities such as Jigjiga University. If, for instance, qualification of academic staff mix is compared with what is legislatively required (i.e., 30 per cent, 50 per cent, and 20 per cent for PhD, Masters and Bachelor holders, respectively), one can see the gap between what exists and what is required. Other things remaining constant, graduate preparation may be affected by qualification and experience of staff.

4.2 Involvement of Stakeholders in Academic Program Development

As can be depicted in table 4, the major actor being government, the participation of stakeholders such as students, parents, the public, professional associations and the graduate labor market are reported low.

Table 3. Involvement of stakeholders

Academic program development involves:	Strongly Disagree (%)	Disagree (%)	Undecided (%)	Agree (%)	Strongly Agree (%)
Students	32.8	23.5	13.2	19.1	11.4
Parents	50.4	22.3	12.6	8.8	5.9
Public/Parliament	31.2	20.0	25.9	16.2	6.8
Government (e.g. Ministry of Education)	6.2	4.4	13.0	37.6	38.8
Professional Associations/ Trade Unions	27.0	21.7	22.3	18.8	10.3
Labor Market Representatives (e.g. Industries)	26.5	25.3	21.8	18.5	7.9

The majority (56.3 per cent) responded that students, the main beneficiaries of the training program, are not involved in the process. It is only 30.5 per cent who favorably responded to it while higher than a tenth (13.2 per cent) remain undecided. Though the Proclamation requires students' participation in the academic programs (No. 650/2009, Article 37.1), it seems that they are not participating directly, through representatives.

In addition, 72.7 per cent and 23 per cent responded that parents and the public do not involve in this process, respectively. Neither did 48.7 per cent agree that professional associations participated. Turning to the participation of the labor market, over half the respondents (51.8 per cent) showed their disagreement while about a fifth (21.8 per cent) remained undecided. It is only about a quarter (26.4 per cent) who agreed on the participation of the labor market in academic program development.

Table 4. Student involvement

Response	Observed N	Expected N	Residual
Strongly Disagree	112	68.2	43.8
Disagree	80	68.2	11.8
Undecided	45	68.2	-23.2
Agree	65	68.2	-3.2
Strongly Agree	39	68.2	-29.2
Total	341		

Table 5. Market involvement

Response	Observed N	Expected N	Residual
Strongly Disagree	90	68.0	22.0
Disagree	86	68.0	18.0
Undecided	74	68.0	6.0
Agree	63	68.0	-5.0
Strongly Agree	27	68.0	-41.0
Total	340		

Table 6. Government involvement

Response	Observed N	Expected N	Residual
Strongly Disagree	21	67.6	-46.6
Disagree	15	67.6	-52.6
Undecided	44	67.6	-23.6
Agree	127	67.6	59.4
Strongly Agree	131	67.6	63.4
Total	338		

From tables 5-7, it can be drawn that the main actors (students and the graduate labor market) do not involve in the academic program development unlike the government. If the labor market is not involved in the process, how can one imagine the required skills in the world of work would be entertained during graduate preparation? Unless the graduate labor market participates, the match between the competencies of graduates and the requirements of the labor market may not be fulfilled. This leads one to assume that the higher education system may find it difficult to match the needs of graduates and that of the graduate labor market.

The fact that participation of major stakeholders in academic program development is perceived to be low suggests non-implementation of the legislative provisions and requirements which state that every higher education institution, in pursuit of mission, should establish cooperation /and/ relations with industries and other institutions (Proclamation No. 650/2009, Article 8.7). If this provision is not effected, there will be a gap between policy and practice.

4.3 Focus of the Teaching-learning Process

As can be depicted from table 7, the focus of teaching and learning is reported in terms of extent of agreement regarding: theoretical understanding, changing traditional assessment techniques, changing traditional teaching methods, application of knowledge and skills that enhance employability of graduates, technological advancement, up-to-dateness of texts, changing traditional course contents, and innovation in courses. The data show that the teaching-learning process gives much emphasis to theoretical understanding and less to others such as practical application of knowledge.

A gap is observed between emphasis given to theoretical knowledge (89.6 per cent), changing assessment techniques (51 per cent) and application of knowledge (49.2 per cent). The data suggest less emphasis is given to changing the conventional method of teaching. (49.6 per cent), technological advancement (38.1 per cent), employment of up-to-date texts (37.7 per cent), changing traditional course contents (37.7 per cent), and innovation in courses (31.8 per cent). From these results one can depict that the teaching-learning (both in content and approach) seems to remain traditional. These added to the report that only close to half (48.6 per cent) of the teaching-learning gives emphasis to employability of graduates, puts the responsiveness of the system (and of staff) in the preparation of graduates in line with the demand and supply.

Table 7. Focus of teaching and learning

Teaching and learning gives emphasis to:	Strongly Disagree %	Disagree %	Undecided %	Agree %	Strongly Agree %
Theoretical understanding	0.9	2.7	6.8	38.3	51.3
Application of knowledge	5.9	20.1	24.8	33.6	15.6
Innovation in courses	11.8	30.5	26.0	21.0	10.7
Technological advancement	11.2	28.1	22.5	25.7	12.4
Up-to-datedness of textbooks	13.1	28.8	20.5	29.4	8.3
Changing traditional course content	10.7	24.0	27.6	30.6	7.1
Changing traditional teaching methods	7.7	21.2	21.5	41.6	8.0
Changing traditional assessment techniques	7.7	19.3	22.0	40.9	10.1
Skills that enhance employability (computer)	10.3	21.5	19.5	38.6	10.0

The results of whether teaching-learning focuses on theory, application, and innovation are presented in tables 9 to 12 as follows.

Table 8. Focus of teaching and learning on theory

Response	Observed N	Expected N	Residual
Strongly Disagree	3	67.8	-64.8
Disagree	9	67.8	-58.8
Undecided	23	67.8	-44.8
Agree	130	67.8	62.2
Strongly Agree	174	67.8	106.2
Total	339		

Table 9. Focus of teaching and learning on application of knowledge

Response	Observed N	Expected N	Residual
Strongly Disagree	20	67.8	-47.8
Disagree	68	67.8	.2
Undecided	84	67.8	16.2
Agree	114	67.8	46.2
Strongly Agree	53	67.8	-14.8
Total	339		

Table 10. Focus of teaching and learning on innovation in courses

Response	Observed N	Expected N	Residual
Strongly Disagree	40	67.6	-27.6
Disagree	103	67.6	35.4
Undecided	88	67.6	20.4
Agree	71	67.6	3.4
Strongly Agree	36	67.6	-31.6
Total	338		

Table 11. Focus of teaching and learning on employability skills

Response	Observed N	Expected N	Residual
Strongly Disagree	35	67.8	-32.8
Disagree	73	67.8	5.2
Undecided	66	67.8	-1.8
Agree	131	67.8	63.2
Strongly Agree	34	67.8	-33.8
Total	339		

All the above three table results have been found statistically significant ($p < .05$ level, $df = 4$).

If the focus of teaching-learning process goes as indicated above, its contribution to enhancing employability skills in graduates and thereby enhancing employability of graduates may lag behind expectation. One can push the argument further that if contents are not up-to-date and strategies not aligned with the world of work, graduates may find it hard to compete for and satisfy need of the labor market. This puts the graduate preparation in question.

Given the mission to prepare competent graduates, and to promote and to enhance research focusing on knowledge and technology transfer based on national interest, paying more attention to theory and less to others (such as innovation and application of knowledge) in teaching seems to be an impediment to the whole system, and especially to graduate preparation.

If teaching-learning is like this, how can one claim that those public universities are responsive in preparing graduates in line with the needs of their students and of the graduate labor market? Once again, how can those public institutions contribute to strike the balance between employment needs of graduates and the needs of the labor market?

4.4 Guidance and Counseling Services Provided to Students

Guidance and counseling services provided to students have much relevance to graduate preparation. This service furnishes students with potential challenges and ways out. If students are informed about available jobs, graduate employers, job search skills, etc., and make objective decisions accordingly, their chance of employability will increase. This strategic service, therefore, is at the heart of graduate preparation. With this contention, the question raised was whether students in universities get informed about employment opportunities and realities, national and international employment strategies, fields of study appropriate to potential, and skills to compete in the labor market. These services fall within the established mandates of the higher education system, and individual university and academe.

Only about a third (34.66 per cent) of participants who responded that students get informed about the graduate labor market opportunity. A significant majority (45.3 per cent) replied in disagreement while a fifth of them remain undecided. This shows that students are not counseled on possible jobs they will compete for after graduation. If they are not informed about possible jobs awaiting them, less motivated and focused will they be in their learning. This may entail less enhanced skills and thereby less competence in graduate labor market. This again makes job search not only long in duration but also difficult to hunt. The end result may be graduate unemployment and also unmet needs of graduate labor market. A question arises about graduate preparation.

Table 13 presents data on whether students were informed about employment opportunities and realities, employment policies and strategies, skills to compete in the graduate labor market, and field appropriate to potential.

Table 12. Information service

Students in your university get informed about:	Strongly Disagree %	Disagree %	Undecided %	Agree %	Strongly Agree %
Employment opportunities	17.2	28.1	20.1	23.7	10.9
Employment reality on ground	16.0	33.4	23.1	20.7	6.8
National employment strategy	18.3	30.4	26.8	18.3	6.2
International employment opportunities	28.0	32.2	23.6	11.8	4.4
Skills to compete in the labor market	16.2	29.8	19.8	26.8	7.4
Field appropriate to potential	18.6	26.8	22.4	23.3	8.8

The first issue is whether university students get informed of what the graduate labor market looks like on the ground. As depicted in table 12, about half (49.4 per cent) of the respondents disagreed while close to a quarter (23.1 per cent) remain undecided. Put explicitly, it is only about a quarter (27.5 per cent) who responded that this information is provided. If such vocational guidance and counseling services were not provided, graduate preparation may be challenged because students may lack knowledge of jobs and vacancies available, graduate employers, and appropriate job search skills. If there are no strong institutional arrangements and services that support students in this regard, how can students develop those relevant skills?

The second important issues were employment policies and strategies – both national and international. To begin with knowledge of the international market, only 16.2 per cent of respondents said that this information is provided to students. A significant majority (60.2 per cent) of respondents disagreed while close to a quarter (23.6 per cent) remain undecided. This may limit students' job search strategy. This will have a compounding effect on students' job aspiration and skill development as well.

Information about the national labor strategy was not responded differently, i.e., only about a quarter (24.7 per cent) agreed on provision of the said service while close to half (48.7 per cent) disagreed. About a quarter of respondents remain undecided. Since graduate employment is not only a matter of subject matter knowledge and skill but also of relevant policies and strategies in place, getting informed about them enhances student preparation and employability of graduates. If university students are not provided with data about national policies and strategies, they remain uninformed about occupations, employers, vacancies and specific job search skills.

To fill this gap, a strong institutional arrangement that orients, guides and counsels students on national graduate employment policies and strategies, should be in place. This does not necessarily mean only informing about national strategies but also about previous graduates. This can be realized if there are centers that support students not only on their study but also in enhancing employability within the shortest time possible. Such arrangements go in line with intended services legislated (Proclamation No. 650/2009) and institutional policy documents.

The last issue to address refers to informing students about employability skills. No different was the response from previous services. Only about a third (34.2 per cent) agreed with the provision while about 46 per cent disagreed. About a fifth remain undecided. This may not surprise readers since less informed will students be about the local labor market and national strategy.

Pre-admission information to students about field of study appropriate to their potential has much relevance to graduate preparation. It motivates students for success. Related with aligning potential to field of study, established in literature is the gap between these variables. Hence, identifying potential and helping students to align their potential with reality is critically important. This is because it helps not only to develop relevant skills but also to enhance employability of graduates. To learn about this fact on the ground, respondents were asked whether students were informed about field of study appropriate to potential. As could be read from the above table, it is only about a third (32.1 per cent) that agreed on the service provision while close to half (45.4 per cent) disagreed, and the rest (22.4 per cent) remain undecided. This shows that students are neither informed nor helped to make right choice and preparation to world of work.

Bearing this in mind and following literature, services provided to students in relation to job opportunities, employment realities, skills to compete in the graduate labor market, and appropriateness of the field to students' potential were subject to chi-square analysis.

Table 13. Students get informed about employment opportunities

Response	Observed N	Expected N	Residual
Strongly Disagree	58	67.6	-9.6
Disagree	95	67.6	27.4
Undecided	68	67.6	.4
Agree	80	67.6	12.4
Strongly Agree	37	67.6	-30.6
Total	338		

Table 14. Students get informed about employment realities

Response	Observed N	Expected N	Residual
Strongly Disagree	54	67.6	-13.6
Disagree	113	67.6	45.4
Undecided	78	67.6	10.4
Agree	70	67.6	2.4
Strongly Agree	23	67.6	-44.6
Total	338		

Table 15. Students get informed about skills to compete in labor market

Response	Observed N	Expected N	Residual
Strongly Disagree	55	67.8	-12.8
Disagree	101	67.8	33.2
Undecided	67	67.8	-.8
Agree	91	67.8	23.2
Strongly Agree	25	67.8	-42.8
Total	339		

Table 16. Students get informed about field appropriate to potential

Response	Observed N	Expected N	Residual
Strongly Disagree	63	67.8	-4.8
Disagree	91	67.8	23.2
Undecided	76	67.8	8.2
Agree	79	67.8	11.2
Strongly Agree	30	67.8	-37.8
Total	339		

All the above tables' (14 - 17) results have been found statistically significant ($\alpha > .05$, $df = 4$).

Taking the above data related to student guidance and counseling service, one can draw the following conclusions. First, students in public institutions of Ethiopia seem not properly guided and counseled. Be they motivated by external factor (such as securing job) or by internal factors (such as academic), student potential plays a significant role. So does students' preference. Therefore, graduate preparation should depend on both potential and preference. If otherwise (as reported above), they will be less likely to succeed in securing a job (in the shortest possible time) and even to succeed academically.

This in effect goes contrary to what has been legislated. Under their academic guidance and counseling unit, public higher education institutions are required to do the following: to officially and properly inform students on courses of study available, content, structure, and requirements of each course; to provide students with specialized academic advice and counseling relating to studies; to take remedial actions where academic advice and counseling reveal the need for special academic support and follow up; and to explore and establish as necessary a system of pre-admission counseling on study choice.

The reported findings do not go in line with requirements and provisions and with institutional policies which state that there should be a center that provides information on occupations, employers, vacancies, job search skills, voluntary work, etc. To this effect, public higher education institutions were expected to render the following services. (a) To provide information and advice to help students decide on their career path; (b) to market graduates to employers; (c) to develop awareness of students in their abilities, skills and potential; (d) to investigate careers, work experience and graduate opportunities; (e) to manage students' career development, personal development planning, etc. These services were presumed to be provided by professional and experienced staff. Rendering academic guidance or counseling service has been spelled as the responsibility of every academic staff member as well.

4.5 Bi-variate Analysis by University

This section concludes with bi-vibrate analysis, to test differences based on respondent characteristics such as university and academic rank. Because some cells contained counts less than five, the response has been recoded as: disagree, undecided and agree. The cell counts were transformed into percentages, and data have been subject to chi-square analysis, $\alpha = .05$ level.

Table 17. Involvement of market in academic program development by university

University	Response						Total
	Disagree	%	Undecided	%	Agree	%	
AAU		17.7		25.5		56.7	100.0
BDU		11.1		11.9		77.0	100.0
JJU		9.5		11.1		79.4	100.0

Table 18. Involvement of students in academic program development by university

University	Response						Total
	Disagree	%	Undecided	%	Agree	%	
AAU		63.4		13.4		23.2	100.0
BDU		55.5		13.3		31.2	100.0
JJU		41.3		14.3		44.4	100.0

Table 19. Involvement of professional association in academic program development by university

University	Response			Total
	Disagree %	Undecided %	Agree %	
AAU	54.9	19.0	26.1	100.0
BDU	50.0	24.2	25.8	100.0
JJU	28.6	28.6	42.9	100.0

All the above tables' (18 - 20) results have been found statistically significant, $\alpha < .05$.

4.6 Bi-variate Analysis by Academic Rank

From the above three tables, it can be drawn that there is variation in judging the involvement of stakeholders (market, students, and professional associations). Jigjiga University was judged high, followed by Bahir Dar University. This variation may be attributed to background differences such as qualification, experience and familiarity to the system.

Table 20. Market involvement in academic program development by academic rank

Academic Rank	Response			Total
	Disagree%	Undecided %	Agree%	
Lecturer	43.1	15.7	41.2	100.0
Asst. Prof.	54.1	22.8	23.1	100.0
Assoc. Prof. & Prof.	25.0	25.0	50.0	100.0

Table 21. Students' involvement in academic program development by academic rank

Academic rank	Response			Total
	Disagree%	Undecided %	Agree %	
Lecturer	19.6	31.4	49.0	100.0
Asst. Prof.	33.6	40.1	26.3	100.0
Assoc. Prof. & Prof.	62.5	—	37.5	100.0

All the above tables' (21 - 22) results have been found statistically significant, $\alpha < .05$.

Given the above two table results, it can be drawn that participants who hold the higher and lower rank responded positively in judging the participation of stakeholders (labor market and students) in academic program development.

Taking the above responses all together, there seems to be a gap between the policy requirements and what is effected on the ground, as perceived by academic staff. The institutions were not just expected to transfer knowledge but also to enhance skills of graduates in line with the needs of the country in general and of the graduate labor market in particular. This responsibility of public higher education institutions has been clearly spelled out in legislations. Accordingly, public higher education institutions should respond to the needs of stakeholders: students and graduate labor market. This can happen through institutional arrangement by developing relevant academic programs, including in the teaching, assessment, and program review, by involving concerned parties at all levels. Being well aware in advance, higher education institutions need to guide and counsel students accordingly. More important, those institutions should enhance employability of their graduates through teaching, practicum and research.

5. Discussion

5.1 Discussion

Vocational guidance and counseling issues. If students are supported by those effective institutional services, they smoothly transit from school to institutions of higher education, and then to the world of work. The higher education proclamation has clearly indicated these supportive services to students. The data, however, showed that university students are not informed about relevant skills to compete in the graduate labor market and field of study appropriate to their potential. Neither are they informed about employment policies and strategies. This goes contrary to what has been legislated in the sector. From this one can conclude that public higher education institutions in Ethiopia fail to respond both to the legislation and to the needs of graduates and graduate labor market.

Stakeholder involvement. The data showed low participation of the labor market, professional associations, students, parents and the public as opposed to the high engagement of the government. What can be drawn from this is that public universities may offer courses and training programs less relevant to the employing market. This makes it difficult to align graduate labor market needs in terms of required competencies with respect to skills of graduates. If not aligned, the likely result will be graduate unemployment. If universities are producing graduates not competent enough to secure jobs, or are producing graduates for jobs that are not available, more likely will be the mismatch between skills of graduates and

needs of the labor market. This goes against legislative responsibility of providing education in order to prepare and supply qualified graduates. This in turn jeopardizes the objective of preparing graduates who are knowledgeable, skilled and attitudinally matured based on the needs of the country.

Teaching and learning issues. Data reported above indicated that more attention goes to theoretical knowledge rather than to practical skills, technological advancement and innovation in courses. Again, changing the traditional teaching method, content and assessment of teaching, and skills that enhance employability of graduates seemed less emphasized. From these, one can draw that public higher education institutions lag behind what today's graduate labor market requires in teachers' teaching and students' learning. These findings seem to go against two legislative provisions spelled out in the Proclamation (No. 650/2009). Curricular design, delivery, and assessment of learning outcomes in any institution shall aim at enabling the learner to acquire pertinent scientific knowledge, independent thinking skills and professional values that together prepare him/her to become a competent professional (Article 21.1). Equally stated was that curriculum delivery shall be up-to-date and the teaching learning process continuously updated in its design, delivery methods, and instruments of assessment (Article 21.6). Every academic staff of public higher education institution is responsible for ensuring that his/her teaching is continuously updated (Article 32.1b). Teachers' teaching and students' learning which aims at innovation in courses and updated textbooks, which employs emerging visions of learning and assessment techniques, can best prepare graduates.

5.2 Concluding Remarks

Involvement of labor market on academic programs. As indicated in legislative documents, public higher education institutions are required to produce competent graduates taking care of the match between graduate labor demand and supply, and international competitiveness of the country. These were enshrined to be carried out with participation of stakeholders such as graduate labor market. If done so, instrumentality of the sector to development and competitiveness of the country may be ensured. The instrumentality can ensure aligning graduate labor demand and supply. This can be done through enhanced skills of graduates, for instance. Graduate preparation should focus on enhancing those skills.

Listening to and ensuring participation of stakeholders in academic program initiation, development, exercise, and review benefits the whole system, including graduates, the graduate labor market and higher education institutions. But this has not been in effect. This is to say that, in effect, participation of stakeholders (other than government) was reported as low. If academic programs are not developed with the participation of stakeholders, if the graduate labor market does not participate in the preparation of graduates, less judged will be the labor market value of

courses and academic programs. Less likely will also be the alignment between the graduates' competencies developed and skills demanded by the graduate labor market. Therefore, public higher education institutions themselves should take a lead to involve the labor market in academic program development including in reviewing the labor market value of courses and programs. The graduate preparation should prove the extent of studying and uncovering the match between training programs and the graduate labor market.

In addition, what is reported as emphasized is theoretical knowledge (rather than practical skills), followed by changes in the assessment and teaching strategies. Updating texts and contents seemed less emphasized. If teaching does not give due emphasis to current approaches both in content and methodology, responsiveness of the institutions to the needs of graduates and of the labor market can be questioned.

Vocational guidance and counseling. This entails strong institutional arrangement that works towards enhancing employability of graduates. Such a center is expected to accomplish multifaceted tasks. It can help students in selection of fields of study for better preparation to the world of work. It can regularly review the graduate labor market need and furnish respective institutions. In all, it can suggest policies and strategies commensurate with growing labor market demand. As reported above, students are not well informed about graduate labor opportunities and realities, employment policies and strategies, and required skills. This may indicate that offices established fail to provide enough and comprehensive vocational guidance and counseling service to their students. This in some ways hampers graduate preparation.

In sum, public higher education institutions in Ethiopia today need to be more responsive to graduate preparation. As reported above, they seem to lag behind in their guidance and counseling services; in involving labor the market in academic program designs; in updating content and method of teaching; in influencing student selection and placement; in identifying relevant skills and working policies. Noting some methodological limitations (e.g. data limited to academic staff), this research is hoped to provoke public debates, initiate academic discourse, and trigger multi-disciplinary research (including by educators and economists).

5.3 Areas of Attention

Bearing in mind that this research is a survey on graduate preparation of public higher education institutions as perceived by academic staff, the following suggestions are forwarded.

- i. Public higher education institutions need strong and effective institutional arrangements that could provide vocational guidance and counseling services.

- ii. There appears a need to arrange regular involvement and discussion forums between public universities and potential employers of graduates so that these stakeholders can work harmoniously towards a common good (of graduate preparation).
- iii. Graduate preparation is by far a complex issue that involves different parities and addresses different issues including policy and practice. Taking the findings of this study as a starting point, further provocative, in-depth and multi-disciplinary research needs to be conducted. The issue is complex involving a plethora of stakeholders, and requires coordinated thematic research involving professionals and experts with crosscutting backgrounds. Such research outputs should influence both policy and practice.

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CHAPTER 3

Evaluating the Contribution of an Entrepreneurship Training Degree Programme in Solving Unemployment through Job Creation: The Case of Entrepreneurship Graduates of Makerere University

*Sarah Eyaa**

1. Introduction

1.1 Background

According to the International Labour Organization (ILO) Global Employment Trends for Youth Report (2010), one of the channels being considered by policy makers and scholars in developing countries to improve the unemployment situation is entrepreneurship education to improve job creation. This is evidenced by the fact that many institutions of higher learning around the world are undertaking entrepreneurship education in the form of short-term training courses and programmes at the bachelor, masters and doctoral levels (Jones and English 2004; Hansemark 1998; Koh 1996; Klofsten 2000; Solomon, Duffy and Tarabishy 2002; Katz 2003; Henry, Hill and Leitch 2003). According to Liñán (2004), entrepreneurship education refers to education and training activities whose intention is to develop and nurture entrepreneurial traits as well as behavior and also furnish trainees with the appropriate skills that are required to start and manage a business venture. Guzmán and Liñán (2005) argue that entrepreneurship education has four main components, namely education for awareness, education for business start-up, education for existing entrepreneurs and education to entrepreneurial dynamism which aims at intensifying intentions of trainees to become entrepreneurs.

Uganda is one of the countries that are applying entrepreneurship education as a solution to unemployment. At the secondary school level, entrepreneurship education was in 2007 introduced at the Advanced Level as one of the subjects in which students can specialize. In the institutions of higher learning, entrepreneurship is now taught as a subject in undergraduate and postgraduate programmes. In addition to teaching entrepreneurship as a subject in different programmes, specialized programmes in entrepreneurship are also being run. At Makerere University Business School (MUBS), an affiliate college of Makerere University, entrepreneurship training was introduced as a specialization in the Master of Business Administration programme in 1998. In 2002, MUBS launched a Bachelor of Entrepreneurship and Small Business Management (BESBM), a specialized entrepreneurship programme that

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was designed with the goal of “providing graduates with specialist knowledge and skills to enable students and graduates start and effectively manage businesses to ensure continued creation of jobs in the economy”. The pioneer students of the BESBM programme completed studies in the academic year 2004/2005 and since then other graduates of the programme have continued to complete their studies for the entrepreneurship degree.

However, to date MUBS has not carried out any form of study to assess the extent to which the entrepreneurship training offered in the BESBM programme has achieved its goal of empowering graduates to create jobs as one of the solutions of unemployment. This therefore creates a gap that needs to be addressed by carrying out a tracer study of the graduates to determine the extent to which the entrepreneurship degree programme equipped them to start and manage successful business ventures. A World Bank Report (2004) on scholarship awards emphasizes that tracer studies provide an opportunity for graduates to give feedback on the training they received and also generate information relevant for making improvements. This study therefore carries out a tracer study of MUBS graduates of the BESBM programme in order to find out their perception of the extent to which the programme has been a solution to unemployment in Uganda by enabling them to create jobs.

1.2 Statement of the Problem

Despite the fact that the BESBM graduates of MUBS are trained and equipped with entrepreneurship skills to enable them to start up and manage their own businesses in order to create employment and in the long-run, address the unemployment problem, MUBS has no knowledge of the extent to which the training given to the graduates had enabled job creation and contributed towards solving unemployment in Uganda. This lack of knowledge by the training institution implies that there is a knowledge gap in the institution on the extent to which the training programme has achieved its goal and the relevance of the programme from the perspective of the graduates in providing a solution to unemployment. The lack of knowledge in these areas implies that it is hard MUBS as an institution to make improvements where necessary so that the degree programme can better achieve its goal of contributing to solving unemployment.

The objectives of the study were: to determine the number of graduates who have been able to set up businesses to create jobs for themselves and others; to determine the extent to which the entrepreneurship training equipped the graduates with the relevant skills for setting up and managing businesses; to identify the reasons why some graduates have not been able to set up businesses despite studying entrepreneurship and to recommend strategies that can be implemented by MUBS as a training institution and policy makers to improve the entrepreneurial abilities of the entrepreneurship graduates.

1.3 Methodology

The study adopted a descriptive cross-sectional research design because of its appropriateness to obtain a snapshot of the perceptions of the respondents at a given point in time without any environmental manipulation or variation (Creswell and Clark 2007). Data was collected using a questionnaire from respondents who were graduates admitted in the academic years of 2003/04, 2004/05, 2005/06 and 2006/07 and graduated in 2004/05, 2005/06, 2006/07 and 2007/08, respectively. The researcher did not consider graduates admitted after 2006/07 because at the time of writing the proposal and undertaking the research, these graduates had only been in the field for six months having graduated in January 2011. A period of 6 months was deemed insufficient to mobilize resources and start-up a business given the requirements of setting up a business. On the other hand, graduates admitted in 2008, 2009 and 2010 were still studying at the time of data collection and were therefore not in position to judge the relevance of the study programme in relation to starting up businesses given that they were not yet out in the field. Being a tracer study, the researcher sought to reach as many graduates as possible, making the target population 523, which is the total number of graduates admitted in the identified years. The collected data was analyzed using the SPSS software. Precaution was taken to ensure that ethical standards were upheld during data collection and presentation of findings.

2. Literature Review

This section presents the definition of key concepts and a review of literature relevant to the research objectives.

2.1 Major Theories

This study used two theories, namely the socialization theory (Tarde 1969) and the theory of planned behavior (Ajzen 1991), which have been widely used in the field of entrepreneurship to explain the behavior of entrepreneurs in regard to business start-up.

The Socialization Theory

According to the socialization theory, entrepreneurial traits like the ability to start and manage a business are a result of many aspects that can be learnt through formal and informal channels like socialization. Consequently, the behavior of people can change or develop as they relate with colleagues, family members, parents, guardians, teachers, religious leaders, mentors, instructors and other people that they admire or interact with on a frequent basis (Tarde 1969). The implication here is that humans always seek to behave like the people they admire. In the case of entrepreneurship students, the ability to start and run a business may be influenced by socialization processes with lecturers and fellow students during their study period and after graduation.

The Theory of Planned Behavior

The Theory of Planned Behaviour (TPB) views behaviour as an outcome of behavioural intention which is determined by the attitude towards behaviour and subjective norms but also extends to include perceived behavioural control as a factor that influences behavioural intention (Ajzen 1991). This theory has been applied in entrepreneurship studies to examine entrepreneurial exit and entrepreneurial intent. The TPB can explain entrepreneurial behaviour with regard to setting up a business as being a function of aspects intentions which are influenced by attitudes towards business start-up and subjective norms and perceived behaviour control, which aspects can also be determined by what is taught in the entrepreneurship curriculum and interactions with different groups of being during the training period.

2.2 Entrepreneurship Education

Entrepreneurship education seeks to prepare trainees to be responsible, enterprising individuals who become entrepreneurs or entrepreneurial thinkers by immersing them in real-life learning experiences where they can take risks, manage the results, and learn from the outcomes. According to Colton (1990), the major objective of entrepreneurship education is to develop enterprising people and inculcate an attitude of self-reliance using appropriate learning processes so that trainees are able to start and manage businesses. The essence of entrepreneurship is the ability to envision and chart a course for a new business venture by combining information from the functional disciplines and from the external environment in the context of the extraordinary uncertainty and ambiguity which faces a new business venture. It manifests itself in creative strategies, innovative tactics, uncanny perception of trends and market mood changes, courageous leadership when the way forward is not obvious and so on (Shepherd and Douglas 1997).

The term 'entrepreneurship education' is commonly used in the USA and Canada while 'enterprise education' is preferred in Europe (Gibb 1993). There is a distinction between 'enterprise' and 'entrepreneurship' education, with the former focusing on the advancement of personal enterprising attributes and attitudes that prepare the individual for self-employment, while the latter relates to the development of functional management skills and abilities that train the individual to start, manage, and develop a business (Gibb and Nelson 1996). However, the ultimate aim of both enterprise and entrepreneurship education is to encourage independent business creation.

According to Liñán (2004), entrepreneurial education refers to the whole set of education and training activities, within the educational system or not, that try to develop in the participants the intention to perform entrepreneurial behaviors, or some of the elements that affect that intention, such as entrepreneurial knowledge, desirability of the entrepreneurial

activity, or its feasibility. This includes the development of knowledge, capacities, attitudes and personal qualities identified with entrepreneurship. In addition, specifically for those of working age, entrepreneurial education would seek to endow participants with enough capacity and the desire to effectively create businesses and to energize and develop it thereafter.

Forms of Entrepreneurship Education

According to Pittaway and Jason (2007), entrepreneurship education at tertiary level takes on the following forms:

- i. Courses and programmes for traditional graduate and undergraduate students.
- ii. Courses and programmes for non-traditional students such as practicing and potential entrepreneurs who are not currently enrolled in an academic programme leading to a degree.
- iii. Courses designed to train teachers of entrepreneurship at the secondary and post-secondary level, including vocational, technical or junior colleges.
- iv. Courses and programmes for those seeking to work with entrepreneurs such as bankers, consultants, government officials, insurance agents, lawyers, to mention but a few.

Dimensions of Entrepreneurship Education

Guzmán and Santos (2001) present a number of characteristic features that are a useful point of reference for the analysis and classification of the different forms of entrepreneurial education. First, it includes all training activities, not just those developed within the education system. Second, its objectives do not only include the diffusion of an entrepreneurial culture, or firm creation, but they also seek to raise the level of dynamism both in new entrepreneurs and in existing firms, also called entrepreneurial quality. Guzmán and Santos (2001) in line with the contribution of Curran and Stanworth (1989), Guzmán and Liñán (2005) explain four dimensions of entrepreneurial education as shown in the sections that follow. These sections also define the different skills that participants of the training need to be equipped with.

- (a) ***Entrepreneurial awareness education***: the objective of entrepreneurial awareness education is to increase the number of people concerned about small businesses and self-employment so that they may consider this alternative as a viable and rational option. It is important to note that entrepreneurial awareness education does not directly transform people into entrepreneurs, but instead allows them to choose their future career from an enhanced perspective.
- (b) ***Education for start-up***: this consists of preparation for running conventional small businesses, which form the majority of all new firms. It focuses on the practical aspects related with the creation of the

firm, for example how to obtain financing, legal regulations and taxation (Curran and Stanworth 1989).

- (c) ***Continuing education for existing entrepreneurs***: this refers to continuing training for small-business owners. This category offers a specialized version of adult education designed to improve the entrepreneur's existing abilities (Weinrauch 1984).
- (d) ***Education for entrepreneurial dynamism***: the objective of this category is to increase the intention to become an entrepreneur as well as to develop dynamic entrepreneurial behaviors after the business is already in operation.

2.3 Entrepreneurship Education and Unemployment

According to Solomon, Duffy and Tarabishy (2002), there is a growing interest in entrepreneurship education because of its ability to promote entrepreneurial activity. Scholars like Bruyat and Julien (2000), Gorman, Hanlon and King (1997) and Garavan and O'Cinneide (1994) argue that entrepreneurial activity is a solution to unemployment because it leads to the emergence of business ventures which are seen as a solution to rising unemployment rates, and as a major catalyst to national economic prosperity. Entrepreneurship is an advanced form of employment; entrepreneurship is primarily a job which also creates a certain number of positions, promoting employment. Therefore, the promotion of entrepreneurship is to support countries in the world of unemployment countermeasures. Thus entrepreneurial education can be instrumental in reducing unemployment as it teaches graduates to think of starting and running businesses thereby breaking the traditional concept of relying on jobs or the 'job mentality'. On the other hand, focus on entrepreneurship education in colleges and universities will help students by strengthening their entrepreneurial awareness, enhancing their entrepreneurial skills and enriching their entrepreneurial knowledge in order to build an entrepreneurship foundation necessary to prepare for future employment.

The contribution of entrepreneurship education in society is well documented in the literature. As noted by Galloway and Brown (2002), in addition to developing skills for business start-up and ownership, entrepreneurship education makes a significant contribution in terms of the quality of graduate start-ups, and it influences general attitudes to entrepreneurship in the long term. Entrepreneurship education also represents a positive motivation in terms of promoting entrepreneurship as a respectable and valuable career option. This in turn builds a culture of graduates becoming job creators rather than job seekers, thereby increasing employment.

According to United Nations Interim Administration Mission in Kosovo (UNMIK 2009), all economies benefit from the youth and graduates of the country being exposed to information about the way in which industry and commerce work and the creative culture necessary in an entrepreneurial

society to enhance employment possibilities. Entrepreneurship Education and Training is about the development of personal skills and qualities so that people of all ages gain knowledge and understanding of the way in which the economy works and reacts to market forces. This involves approaches to the development of creativity, problem solving, team working, taking calculated risks, communication skills, leadership, decision taking, time management, taking responsibility and other individual skills which can lead to improved employment prospects. When entrepreneurship graduates set up businesses, they create employment for themselves and other people.

3. Presentation of Findings

In this section, the key findings of the study are presented in relation to the study objectives.

3.1 Characteristics of Respondents

In this sub-section, the characteristics of the respondents are presented.

Table 1. Distribution of respondents by age group

Age group	F	Valid %
20-25	37	20.2
26-30	130	71.0
31-35	9	4.9
41-45	3	1.6
Above 45	2	1.1
Missing	2	1.1
Total	183	100.0

Age Group of Respondents

The majority of respondents (71.0 per cent) were in the 26 – 30 year age group, followed by those in the 20 – 25 year age group at 20.2 per cent per cent. The remaining percentage of respondents was distributed among the 31 – 35, 41- 45 and above 45 years age group at 4.9 per cent, 1.6 per cent and 1.1 per cent, respectively. Two respondents (1.1 per cent) did not indicate the age group to which they belong. The results are presented in table 1 below:

Year of Joining MUBS

The results in table 2 show that majority of the respondents had joined MUBS in 2005 at 42.6 per cent, while 27.3 per cent had joined in 2006 and 20.2 per cent had joined in 2004. Only 7.1 per cent and 2.7 per cent had joined in 2003 and 2002, respectively. The first intake in the programme was in 2002, hence the lower number of students joining in 2002 and 2003.

This could be attributed to the fact that this was a new programme at the university which many prospective university students did not know about at the time. These results are presented in the table 2.

Table 2. Distribution of respondents by year of joining MUBS

Academic Year	F	Valid %
2002/03	5	2.7
2003/04	13	7.1
2004/05	37	20.2
2005/06	78	42.6
2006/07	50	27.3
Total	183	100.0

Year of Completion

A majority of the respondents of the study (40.4 per cent) completed the programme in the academic year 2007/08, followed by those that completed in 2008/09 at 38.3 per cent and those that completed in 2006/07 at 17.5 per cent. Respondents who completed in 2005/06 accounted for 2.7 per cent while those that completed in 2004/05 accounted for only 0.5 per cent. One respondent did not indicate the year of completion, which could imply that s/he has not yet completed the programme. A comparison between findings on the year of joining and the year of completion shows that on average respondents did not complete the programme in the three years prescribed for the programme. These results are presented in table 3.

Table 3. Distribution of respondents by year of completion

Academic year	F	Valid %
2004/05	1	.5
2005/06	5	2.7
2006/07	32	17.5
2007/08	74	40.4
2008/09	70	38.3
Missing	1	.5
Total	183	100.0

Employment Status

The majority of the respondents (55.7 per cent) were employed while 40.4 per cent were self-employed. However, 3.8 per cent of the respondents indicated that they were neither formally employed nor self-employed. These results are presented in table 4.

Table 4. Distribution of respondents by employment status

Status	F	Valid %
Employed	102	55.7
Self-employed	74	40.4
None of the above	7	3.8
Total	183	100.0

Further analysis of the respondents who were employed by the type of entity which employed them revealed that the majority were employed by a financial institution (27.5 per cent), closely followed by the private sector at 26.5 per cent. Non-Government Organizations and Community-based organizations accounted for 16.7 per cent of the respondents of the study while academic/research institutions accounted for 9.8 per cent. Parastatals and Consultancy firms each accounted for 4.9 per cent of the respondents; the remaining percentage was distributed among other entities such as international organizations (3.9 per cent), central government (2.9 per cent) and local government (2.0 per cent). One respondent did not indicate what entity he/she was employed by. These results are presented in table 5.

Table 5. Distribution of respondents by type of entity of employment

Entity	F	Valid %
Central Government	3	2.9
Local Government	2	2.0
Financial Institution	28	27.5
Academic/research institution	10	9.8
Parastatals	5	4.9
International organization	4	3.9
NGO, Community-based organization	17	16.7
Private sector	27	26.5
Consultancy	5	4.9
Missing	1	1.0
Total	102	100.0

In line with the results in table 5, banking/credit finance officers accounted for a majority of the respondents of the study at 25.5 per cent while those in operational positions (administration, human resources and programs) accounted for 20.6 per cent of the respondents of the study. Accountants/auditors accounted for 11.8 per cent, sales and marketing executives 10.8 per cent, lecturers 7.8 per cent and customer care executives 5.9 per cent. Other positions represented in the study included customs officers (2.9 per cent), Interns (2.0 per cent), IT Officers (1.0 per cent and tour guides (1.0 per cent). Eleven respondents (10.8 per cent) did not indicate what position they held in their organization. This distribution is shown in table 6.

Table 6. Distribution of respondents by position held in the organization

Position	F	Valid %
Banking Credit, Finance Officer	26	25.5
Accountants, Auditor	12	11.8
Operations (Administration, HR and Programs)	21	20.6
Sales, Marketing Executive	11	10.8
Lecturer	8	7.8
Tour Guide	1	1.0
Customs Officer	3	2.9
IT Officer	1	1.0
Customer Care Executives	6	5.9
Intern	2	2.0
Missing	11	10.8
Total	102	100.0

Business Start-Up

A majority of the respondents (59.6 per cent) indicated that they had started a business, while 40.4 per cent indicated that they had not started a business despite studying entrepreneurship (table 7). In line with findings in table 4 on employment status, it can be concluded that some of the respondents who had indicated that they were employed had also started a business.

Table 7. Distribution of respondents by those who had started a business

Response	F	Valid %
Yes	109	59.6
No	74	40.4
Total	183	100.0

Further analysis to show the types of business respondents had started revealed that a majority of the businesses deal in farming (14.7 per cent). This was closely followed by those that deal in general merchandise (13.8 per cent), consultancies and business clinics (12.8 per cent) and boutiques, salons and cosmetic shops at 11 per cent. Other businesses deal in financial services, restaurants and construction materials at 8.3 per cent, 7.3 per cent and 5.5 per cent, respectively. The remaining percentage was distributed among other businesses like food processing and nutrition, customs clearing and forwarding, electronics shops, education institutions, real estate, transport and events management accounting for between 3.7 per cent and 1.8 per cent. These results are shown in table 8.

Table 8. Distribution of respondents by type of business

What does your business deal in?	F	Valid %
General Merchandise	15	13.8
Boutique, Salon, Cosmetics	12	11.0
Food processing and nutrition	4	3.7
Customs clearing and forwarding	2	1.8
Restaurants	8	7.3
Consultancy, Business Clinic	14	12.8
Construction, Hardware, Carpentry	6	5.5
Electronics, Computers, Phones	3	2.8
Education Institution	2	1.8
Farming	16	14.7
Real Estate	4	3.7
Financial Services, Money Lending	9	8.3
Transport	3	2.8
Bookshop, Secretarial Bureau, Printing	2	1.8
Events Management	4	3.7
Cleaning Services, Landscaping	2	1.8
Studio	2	1.8
Missing	1	0.9
Total	109	100.0

3.2 The Extent to Which the Entrepreneurship Equipped Graduates with Relevant Skills for Setting-Up and Managing Businesses

To determine the extent to which the entrepreneurship training offered to the graduates was relevant to the graduates in starting and running their businesses, data was obtained using a questionnaire where items were rated on a 6 point likert scale of 1 – not at all, 2 – to a small extent, 3 – to some extent, 4 – to a moderate extent, 5 – to a great extent, and 6 – to a very great extent. In the analysis and presentation of results, responses corresponding to 5 and 6 of the likert scale were aggregated to represent

training which was relevant to a greater extent, 3 and 4 were aggregated to represent training which was relevant to a moderate extent and 1 and 2 for training which was not relevant. Different areas of training were analyzed and interpreted case by case and results were obtained as follows.

Table 9. Relevance of entrepreneurship training

Training	Rating					
	(1 – not at all, 2 – to a small extent, 3 – to some extent, 4 – to a moderate extent, 5 – to a great extent, and 6 – to a very great extent)					
	6	5	4	3	2	1
	F (%)	F (%)	F (%)	F (%)	F (%)	F (%)
Business opportunity identification	58 (53.7)	30 (27.8)	12 (11.1)	4 (3.7)	3 (2.8)	1 (0.9)
Customer care	53 (49.5)	32 (29.9)	13 (12.1)	5 (4.7)	2 (1.9)	2 (1.9)
Decision making	52 (48.1)	31 (38.7)	11 (10.2)	7 (6.5)	3 (2.8)	4 (3.7)
Financial management	50 (46.3)	38 (35.2)	10 (9.3)	6 (5.6)	2 (1.9)	2 (1.9)
Feasibility study	49 (45.4)	33 (30.6)	12 (11.1)	9 (8.3)	5 (4.6)	0
Creativity and innovation	46 (43.0)	41 (38.3)	14 (13.1)	2 (1.9)	4 (3.7)	0
Team building and team work	44 (41.9)	27 (25.7)	13 (12.4)	7 (6.7)	8 (7.6)	6 (5.7)
Marketing	41 (39.0)	29 (27.6)	20 (19.0)	10 (9.5)	5 (4.8)	0
Oral communication	41 (38.3)	35 (32.7)	17 (15.9)	6 (5.6)	5 (4.7)	3 (2.8)
Sales	38 (37.3)	26 (25.5)	21 (20.6)	12 (11.8)	4 (3.9)	1 (1.0)
Market research	38 (36.2)	29 (27.6)	20 (19.0)	15 (14.3)	3 (2.9)	0
Time management	38 (35.8)	35 (33.0)	10 (9.4)	12 (11.3)	9 (8.5)	2 (1.9)
Goal setting	33 (32.0)	37 (35.9)	15 (14.6)	10 (9.7)	4 (3.9)	4 (3.9)
Business administration	33 (30.8)	42 (39.3)	20 (18.7)	4 (3.7)	6 (5.6)	2 (1.9)
Analytical and critical thinking	32 (30.5)	32 (30.5)	23 (21.9)	10 (9.5)	6 (5.7)	2 (1.9)
Leadership	31 (29.5)	37 (35.2)	16 (15.2)	10 (9.5)	8 (7.6)	3 (2.9)
Written communication	30 (27.8)	31 (28.7)	17 (15.7)	15 (13.9)	10 (9.3)	5 (4.6)
Records management	29 (27.4)	32 (30.2)	30 (28.3)	7 (6.6)	7 (6.6)	1 (0.9)
Human resource management	29 (27.1)	43 (40.2)	23 (21.5)	5 (4.7)	6 (5.6)	1 (0.9)
Negotiation	27 (25.7)	43 (41.0)	17 (16.2)	5 (4.8)	6 (5.7)	7 (6.7)
Accounting	27 (25.0)	34 (31.5)	24 (22.2)	15 (13.9)	8 (7.4)	0
Supplier relationship management	25 (24.5)	22 (21.6)	26 (25.5)	10 (9.8)	11 (10.8)	8 (7.8)
Purchasing management	21 (20.4)	24 (23.3)	27 (26.2)	9 (8.7)	12 (11.7)	10 (9.7)
New product development	19 (17.8)	27 (25.2)	34 (31.8)	13 (12.1)	10 (9.3)	4 (3.7)
Information Technology	16 (15.0)	26 (24.3)	20 (18.7)	13 (12.1)	22 (20.6)	10 (9.3)

Table 9 shows results of the extent to which the entrepreneurship training offered to the graduates was relevant to the graduates in starting and running their businesses. The findings show that a majority of the training areas listed were found to be relevant to the graduates. Notable outcomes

include business opportunity identification, customer care, decision making, financial management, feasibility study and creativity and innovation which were found to be relevant to either a greater extent or a great extent at 81.5 per cent, 79.4 per cent, 86.8 per cent, 81.5 per cent, 76 per cent and 81.3 per cent, respectively. On other hand, supplier relationship management, purchasing management, new product development and information technology registered less than 50 per cent at 45.1 per cent, 43.7 per cent, 43.0 per cent and 39.3 per cent, respectively. This implies that respondents found these areas of training to be relevant only to a moderate extent. In addition, purchasing management and information technology registered the highest percentage of respondents who found the respective areas not relevant at 21.4 per cent and 29.9 per cent. Other aspects of training were found to be relevant to a great extent, registering between 50 per cent and 70 per cent of respondents.

3.3 Reasons Why Some Graduates Have Not Been Able to Start Up Businesses despite Studying Entrepreneurship

Most of the respondents (37.8 per cent) cited lack of capital as the reason why they were unable to startup businesses despite studying entrepreneurship. 25.7 per cent decided to change their career path and get into formal employment while 13.5 per cent felt that the entrepreneurship degree did not prepare them well enough to start and manage a business. The remaining percentage was distributed among those whose business ideas were not profitable (8.1 per cent), those who cited other reasons, for example, lack of time (4.1 per cent) and those who indicated that owning or starting a business was never one of their goals (1.4 per cent). Seven respondents did not indicate why they were unable to start businesses. These results are shown in the table.

Table 10. Reasons why respondents were unable to start up businesses

Reason	F	Valid %
Lack of capital	28	37.8
Business idea not profitable enough	6	8.1
I decided to change my career path and get into formal employment	19	25.7
Owning or starting a business has never been one of my goals	1	1.4
The entrepreneurship degree did not prepare me well enough to start and manage a business	10	13.5
Other (Specify: Lack of time to oversee the businesses)	3	4.1
Missing	7	9.5
Total	74	100.0

4. Discussion of Findings

Demographic characteristics of the study

Findings on age of respondents showed that the largest percentage of respondents were in the younger age groups of 26 – 30 years and 20 – 25 years. This is consistent with the Global Entrepreneurship Monitor Adult Population Survey (2008), which reported that individuals trained in entrepreneurship are more likely to be found in the two younger age ranges (18–24 years and 25–34 years) and less likely to be in the three older age ranges. The report further suggested that entrepreneurship training may have increased in recent decades and, in particular, provision for younger people may have increased, possibly through the formal education system.

Research findings show that most of the respondents were employed in the formal sector and only 40.4 per cent were self-employed while some of them were neither formally employed nor self-employed. Further analysis of the results of the study also showed that some of the respondents who were employed had also started a business. This finding is consistent with the labour force flow figures at the Uganda Investment Authority (UIA) and the Uganda Bureau of Statistics (UBOS) which show that out of the 400,000 Ugandans who enter the labour market each year, only about 113,000 are absorbed in formal employment. Furthermore, according to Sembojja (2007), some of the graduates who are not absorbed into formal employment, still find it hard to start up businesses and create jobs either due to lack of empowerment to start up or the fact that the education system did not equip them to be creative, innovative or acquire entrepreneurial skills.

Findings also show that of the respondents who are employed, a majority are employed by a financial institution and hold positions such as banking / credit / finance officer. This could be attributed to the fact that Uganda has one of the most developed financial systems among low-income oil importing nations (including, Ghana, Kenya, Mozambique, Tanzania, and Zambia) which has substantially increased in importance in the last three years. In addition, Uganda's financial sector forms approximately 29.6 per cent of the service contribution to GDP and services are the fastest growing sector of the economy, contributing 45 per cent of total GDP and employing over 8,700 people (IMF 2007, Sub Saharan African Financial Systems and the Global Financial Shock).

The Extent to Which the Entrepreneurship Training Offered to the Graduates Was Relevant to the Graduates in Starting and Running Businesses

Findings of the study show that the entrepreneurship training offered to the graduates was relevant to the graduates in starting and running their businesses. This implies that a majority of the respondents found the various disciplines taught in their programme relevant to their businesses. This finding is consistent with Shepherd and Douglas (1997), who assert

that the essence of entrepreneurship is the ability to envision and chart a course for a new business venture by combining information from the functional disciplines and from the external environment in the context of the extraordinary uncertainty and ambiguity which faces a new business venture and what is taught in the entrepreneurship classes should serve to instill and enhance these abilities. Furthermore, findings are in line with Liñán (2004), who defines entrepreneurial education as the whole set of education and training activities, whether within the educational system or not, that try to develop in the participants the intention to perform entrepreneurial behaviors, or some of the elements that affect that intention, such as entrepreneurial knowledge, desirability of the entrepreneurial activity, or its feasibility. According to UNMIK (2009), entrepreneurship education and training is about the development of personal skills and qualities which involve approaches to the development of creativity, problem solving, team working, taking calculated risks, communication skills, leadership, decision taking, time management, taking responsibility and other individual skills relevant to business start up and maintenance.

Reasons Why Some Graduates Have Not Been Able to Start up Businesses despite Studying Entrepreneurship

A majority of the respondents indicated that lack of capital was the reason why they were unable to start up businesses despite studying entrepreneurship. This finding is consistent with the Middlesex University report to the European Commission (2000), in which study findings showed that lack of capital or difficulties with access to start up finance was a major problem for young entrepreneurs. In addition, there was evidence in the report to show that bank lending criteria are out of date when considered in relation to the characteristics of those currently seeking to start a business or enter self-employment, making access to start up capital even more difficult. The report also indicated that new businesses face difficulties in raising the collateral to secure a start up loan and this represented a more substantial hurdle for young entrepreneurs because of their more limited opportunities for accumulating assets that may be used for this purpose.

Findings also revealed that some graduates were unable to start businesses because they decided to change their career path and get into formal employment while others felt that the entrepreneurship degree did not prepare them well enough to start and manage business. This finding is consistent with Olomi (2007), who asserts that graduates from higher learning institutions are not psychologically and functionally prepared to start and develop small businesses because the curricula is designed to produce graduates for highly specialized white collar jobs. Therefore, they are more inclined to look for employment in the formal sector rather than start up own businesses.

Another reason cited by some respondents was lack of time. This is consistent with the findings of the OECD's report on Women

Entrepreneurship which suggests that that lack of time is a barrier to most women, in most economies. This is because of domestic responsibilities which make it difficult for women to develop either their entrepreneurial skills to become entrepreneurs or to develop an existing business.

5. Conclusions and Recommendations

5.1 Conclusions

The researcher collected data from 183 respondents. The majority (55.7 per cent) of the respondents were employed, 40.4 per cent were self-employed while 3.85 per cent indicated that they were neither formally employed nor self-employed. A majority (59.6 per cent) of the respondents indicated that they had started a business and this shows that the entrepreneurship training is making a contribution towards solving the unemployment problem. Regarding the businesses that have been started by the respondents, a majority (14.7 per cent) of the businesses deal in farming, followed by general merchandise (13.8 per cent), consultancies and business clinics (12.8 per cent) and boutiques, salons and cosmetic shops (11 per cent). The remaining businesses were food processing and nutrition, customs clearing and forwarding, electronics shops, educational institutions, real estate, transport and events management, which formed between 3.7 per cent and 1.8 per cent of the businesses started by the graduated.

A majority (37.8 per cent) of the respondents indicated that they had not started businesses due to lack of capital despite having studied entrepreneurship. Other reasons were change in career path (25.7 per cent), not being well prepared by the entrepreneurship degree program to start and manage businesses, lack of profitable business ideas (8.1 per cent), lack of time to manage businesses (4.1 per cent) and the fact that starting a business was not one of their goals (1.4 per cent).

Graduates also indicated that the training adequately equipped them with skills in business opportunity identification, customer care, decision making, financial management, feasibility study and creativity and innovation but did not adequately equip them with supplier relationship management, purchasing management, new product development and information technology related skills.

5.2 Recommendations

The National Council for Higher Education and the Ministry of Education and Sports

The National Council for Higher Education (NCHE) and The Ministry of Education and Sports (MOES) should allocate more funds for entrepreneurship research because it (entrepreneurship) is one of those areas, which if well nurtured, can go a long way to enable economic growth in a country. A country like Uganda, where unemployment rates are high, will greatly need to lean on entrepreneurship to create job opportunities for

the many unemployed youth. Funding should also be channeled to develop capacity in writing of cases so that local case studies that are relevant to the Ugandan context can be developed and used for teaching students pursuing entrepreneurship programmes. Case writing can be encouraged through case writing competitions.

The National Council for Higher Education has come up with minimum standards for business education in Uganda at university level and entrepreneurship education is one of business areas that is covered. The NCHE should ensure that all universities and other institutions of higher learning are made aware of these minimum standards. This can be made possible through training workshops and seminars. Secondly, the NCHE and MOES should ensure that these minimum standards are implemented in the institutions in order to ensure that uniform content is taught across the country. This will solve the problem of disagreement on the content of what should be taught in entrepreneurship. NCHE and MOES should monitor the implementation of the standards in the institutions through random checks and interviewing students. Enough manpower should be availed by the NCHE and MOES to carrying out the monitoring activities. Thirdly, the NCHE and MOES should provide support to the institutions in implementing the minimum standards for entrepreneurship education by availing the necessary resources, facilitating the necessary training and initiating any changes if need be.

The NCHE and MOES should create a forum or association for persons teaching entrepreneurship at university and tertiary level, so that they can meet often and address matters in entrepreneurship education. Such forums enable networking, sharing of ideas and may even facilitate joint research between institutions. The secretariat of this forum should rotate in the different institutions in order to guarantee ownership by the institutions.

The NCHE and MOES should revise the policy on the review of university programmes to ensure that programmes are reviewed more often to make them more relevant to the dynamic market environment. Some of the graduates indicated that they felt that the degree did not prepare them well enough to start business. If institutions were tracking their graduates often, they would have accessed this information and been in a position to revise the programme to make it more applicable. NCHE should also ensure that some courses that are relevant for entrepreneurship students are included in the programme structure in all institutions during the review of the entrepreneurship curriculum.

Makerere University Business School

Makerere University Business School (MUBS) should increase funding towards research on entrepreneurship and also lobby the Government of Uganda to fund more research on entrepreneurship. This will enable staff to learn more about entrepreneurship and be able to teach students from an informed point of view. MUBS should also invest in building the capacity

of staff in the area of case study writing in all disciplines so that staff do not have to depend on other people to develop the cases for them.

As a pioneer of entrepreneurship education, MUBS should champion the project of increasing awareness in entrepreneurship education in secondary/high schools by visiting these schools to talk to them about the programme and its career prospects. This will help to change the attitudes of the negative attitude that high school students have towards the entrepreneurship degree. The awareness campaign can be taken on by the MUBS Entrepreneurship Centre (a research and training centre for entrepreneurship) and the Careers Development Office. Later, the campaign can even go national so that even the citizens are reached and their attitudes changed. MUBS can also create interest in the entrepreneurship course by organizing entrepreneurship case writing competitions at secondary school level.

MUBS should form an alumni association for entrepreneurship graduates so that they can have a forum where they can interact. This association will have several benefits that MUBS can appropriate to improve the teaching of entrepreneurship courses and the competence of the entrepreneurship graduates. First and foremost, through the forum, MUBS will be able to find out the weaknesses of the entrepreneurship programme and such information is very relevant for course review. Secondly, students will get a chance to interact with the graduates in the forum and will in one way or the other get opportunities to be mentored. Thirdly, the forum will also make joint research between the graduates, current students and staff of MUBS. Fourthly, some graduates indicated that they were not able to start business ventures due to lack of time. However, networking in the forum will enable graduates form collaborations where they can work together to sustain and run their business ventures. In this way, MUBS will be contributing to the sustainability of business ventures set up by entrepreneurship graduates. Lastly, through the forum, MUBS will be able to contact successful entrepreneurship graduates to come and give guest lecture series to current students in order to inspire them and build their confidence in the entrepreneurship degree programme.

MUBS should create a database where details and other relevant information on all the entrepreneurship graduates are stored. This will make it easy to track the graduates in order to ascertain their performance as well as challenges being faced so that the content of the programme can be appropriately reviewed. The database will also be a reference point for current students when looking out for firms or business ventures where they can be ventured or get opportunities to get hands-on-training opportunities. In addition to developing the database, MUBS should carry out frequent tracer studies on the entrepreneurship graduates as well as other graduates in order to determine their performance and the relevance of the training that they attended while studying at MUBS.

Being one of the leading centers for entrepreneurship education, MUBS should lobby the Government to support entrepreneurship graduates from universities and institutions of higher learning with finances, information and other resources that are required to start and run successful businesses. The majority of the students indicated that they were not able to start businesses because they lacked capital. Such a strategy will go a long way in solving this challenge.

MUBS should introduce a business start-up support desk that will be a one-stop information and support point for the graduates at the MUBS Entrepreneurship Centre. This desk should be managed by a competent person. From the desk, students will be able to access information on available financing options, feasible business projects, access to financing, to mention but a few.

Students generally agreed that the entrepreneurship training they received equipped them with the relevant skills required for starting and running a successful business. They, however, indicated that they were not to a large extent adequately equipped with skills in information technology, new product development, purchasing management, supplier relationship management, accounting, negotiation, human resource management, records management and written communication. MUBS should therefore revise the curriculum to ensure that these fields/topics are catered for such that graduates will find it easier to set up and run successful businesses.

The Ministry of Finance, Planning and Economic Development

The Ministry of Finance, Planning and Economic Development should endeavor to increase funding allocated to research and development activities in the field of entrepreneurship in universities and institutions of higher learning. With more knowledge-created entrepreneurship in Uganda, citizens will begin to appreciate the field more and the attitude towards it amongst the citizens, current students and graduates will improve.

The Ministry of Trade, Tourism and Industry

According to a World Bank Report (2011), Uganda is one of the countries in Africa where starting a business is very hard and the business environment is not conducive for the survival of small businesses. The Ministry of Trade, Tourism and Industry should make policy changes so that starting a business becomes easier. The Ministry should also work towards creating a business environment that is conducive for the survival of business ventures. By doing this, graduates will be encouraged to start up businesses.

The Ministry should work hand in hand with the universities and higher education institutions, district local governments and the Ministry of Education and Sports to set up business incubation centers in both the urban and rural areas. At the centres, graduates will be given an opportunity to set up their business ventures such that they (the business ventures) are

given a chance to “live”. Secondly, the incubation centers will allow for networking amongst the graduates and practitioners and the benefits of such networking may include but are not limited to joint research, joint product development and mentorship opportunities. Thirdly, the centers will offer students opportunities to get hands-on experience in implementing what they were taught in class.

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CHAPTER 4

The Effectiveness of Youth Enterprise Development Fund (Kenya) As a Sustainable Strategy for Youth Employment

*Simon Cheruiyot** and *Salim Didi***

1. Introduction

1.1. Background

Since independence the creation of productive and sustainable employment opportunities has remained a central policy priority of the Kenyan government. A number of policy interventions have been formulated and variously implemented in that period. Key among these policies is the growth-oriented development strategy augmented by a high wage (IEA 2010) and Kenyanization policies adopted at independence (Republic of Kenya 1964). It was believed that long-term and sustained high rates of economic growth would facilitate generation of employment opportunities at rates higher than the proportionate increase in the labour force (Republic of Kenya 1969). On the other hand, the Kenyanization strategy entailed a deliberate effort by the government to increase employment opportunities for Kenyans through replacement of non-citizens (Republic of Kenya 1983). Measures used to achieve this included exclusion of foreigners in rural trade, use of work permits to control employment of expatriates, redistribution of large agricultural farms and increased investment in human capital formation.

In the 1990s and early 2000s, government employment interventions targeted enhancing the acquisition and promotion of efficient use of labour market information, reliance on market forces to mobilise resources for sustained growth, provision of public infrastructure, industrial policy, enhancement of private sector investment and participation in the economy, promotion of industrial harmony and productivity and liberalization of the labour market (Republic of Kenya 1994a; 1994b; 1997a; 1997b; 1999; 2002). In 2003, the government of Kenya under the National Rainbow Coalition (NARC) formulated a five-year development strategy (Economic Recovery Strategy for Wealth and Employment Creation 2003-2007). The strategy put a case for empowerment of the people through creation of

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employment and other income earning opportunities. The creation of the Ministry of Youth Affairs (MOYA) in 2005 and subsequent articulation of the first Kenya National Youth Policy in 2006 were steps in the right direction as far as tackling the challenges facing the Kenyan Youth is concerned. The policy attempts to address issues affecting young people by providing broad-based strategies that can be used to give the youth meaningful opportunities to reach their maximum potential.

A more focused strategy for youth employment was the creation of Youth Enterprise Development Fund in the year 2006. Through its broad mandates, the Fund facilitates access to funding for youth enterprises (about \$35,000,000), provides marketing support for youth enterprises (over 150,000) (YEDF 2011), develops linkages between youth enterprises and large enterprises, facilitates creation of youth focused commercial infrastructure and creates opportunities for placement of qualified youth in foreign employment. In spite of all these interventions, creation of adequate, productive and sustainable employment generally, and for the youth in particular, continues to be the greatest economic challenge for Kenya.

While a number of Government Ministries and Youth organisations have their own youth programmes and sectoral youth policies, lack of a national definition of youth and effective youth co-ordination mechanisms have negatively affected the development of youth work; Resource constraints in which most of the youth programmes in the Government and non-governmental agencies are poorly funded and equipped; hence efforts to diversify and increase youth programmes in Kenya have been limited. Low status was given to the youth, in which existing structures and prevailing attitudes did not provide an enabling environment for youth participation in decision-making, planning and implementation processes. The current situation is that the youth have not been accorded adequate opportunities to participate in processes and structures where they can express themselves towards contributing to the political, social and economic development of the country. Youth participation in the formulation of youth employment policies should be implemented, and facilitation made through provision of funds, organizational capacities, skills and so on in order to meaningfully engage the youth in national and regional-level policy development.

1.2. Statement of the Problem

The youth in Kenya account for close to 70 per cent of the population (Republic of Kenya 2009). Whether educated or uneducated, the problem of unemployment affects them in equal measure and the rate of economic growth or expansion of the employment creation opportunities has not kept pace with their demand for productive and gainful employment. Despite the various interventions over the years, youth unemployment still remains alarmingly high. In 2005/2006 for example, the youth unemployment stood at 24 per cent and this has slightly risen to 27 per cent in 2010/2011 showing that the productive sectors have not kept pace with the rising number of the youth. Whether the policy intervention through Youth

Enterprise Development Fund got its proposals wrong from the outset is a matter of question and whether this can explain their unfelt presence four years on can only be known through research. This paper therefore aimed at establishing suitable effectiveness criteria and evaluating the effectiveness of Youth Enterprise Development Fund (YEDF) as a sustainable strategy for youth employment creation in Kenya.

The specific research objectives were:

- i). To establish the determinants of youth employment in Kenya;
- ii). To interrogate the foundations of youth employment creation proposals in the YEDF policy document and verify the extent to which they are sustainable for youth employment creation;
- iii). To describe the extent to which the programmes of Youth Enterprise Development Fund have addressed the youth (un)employment in Kenya, and explain their effectiveness; and
- iv). To analyse the youth employment policy gaps and propose appropriate interventions.

1.3. Methodology

The descriptive survey design was used to carry out this study. The survey approach was best suited for this study because the population studied was large and it was difficult to observe the characteristics of each individual youth. It also helped in collecting original and specific data on Youth Enterprise Development Fund initiatives and their effectiveness in addressing the challenges to youth unemployment since data in this area is scarce. This design also allowed the researcher to generate both numerical and descriptive data that was used in measuring the relationship between variables to be studied. This design was appropriate for the study because it assisted the researcher to produce statistical information on the sustainability of Youth Enterprise Development Fund as a strategy for youth employment creation. The researcher used questionnaires and structured interview guide to collect data.

The study used both primary and secondary data. A semi-structured questionnaire consisting of both open-ended and close-ended questions was used. Secondary data was obtained through review of various reports such as policy briefs, gazette notices, annual government surveys, and financial and status reports from the fund.

2. Literature Review

Africa has enjoyed fifteen years of sustained economic growth. Per capita income for the region as a whole is rising steadily, and regional growth has exceeded the global average. During the last decade, six of the world's ten fastest-growing economies were in Sub-Saharan Africa. Yet, there are worrying signs that this growth turnaround has not resulted in robust

growth of “good” jobs – those offering higher wages and better working conditions – especially for the young (ILO 2012).

The problem of what is generally referred to as ‘youth unemployment’ has increasingly come to be recognized as one of the more serious socio-economic problems currently confronting many developing countries, especially those in Africa (Curtain 2000; ILO 1999). It has, however, been difficult to provide accurate statistics on youth unemployment in developing countries in general and Africa in particular, as available estimates of world unemployment face the conceptual and design limitations imposed by definitional and measurement problems of ‘employment’ and ‘youth’. This makes it difficult to assess the scope of the problem and trends associated with youth unemployment. Nonetheless, existing estimates indicate that in Sub-Saharan Africa, urban unemployment affects between 15 to 20 per cent of the work force (ILO 1999). In Kenya, the youth account for close to 70 per cent of the population (Republic of Kenya 2009a) and in 2005/2006, the youth unemployment stood at 24 per cent and this rose slightly to 27 per cent in 2010/2011, showing that the productive sectors have not kept pace with rising number of the youth.

It is now widely acknowledged that a major cause of the high youth unemployment rate in Africa is the current high population growth rate, which has resulted in a relatively young population and a large proportion of youth in the population of the working age. Other supply-side factors are what some experts tend to describe as ‘inappropriate’ school curricula and lack of ‘employable’ skills. Several analysts argue that in so far as formal sector employment is concerned in Africa, the skills that job seekers possess do not match the needs and demands of employers (Mhone et al. 1999; McGrath 1999; Kent and Mushi 1995; McGraith and King 1995; Hoppers 1994). Other reasons include the underlying perception among policy makers – and also among the ultimate beneficiaries themselves (youth) – that employment means a job with a wage or salary and working for somebody else.

It is also argued that among policy makers there has been a strong assumption that the main cause of unemployment among the youth has been the absence of artisanal and vocational skills (Bennell 2000; Mhone et al. 1999). This has led to the continuous expansion of training policy in such areas as carpentry, auto mechanics, brick laying, television and radio repair, and so on. It is largely a supply-driven response to training, which has basically ignored the demand for the skills being offered and the absorptive capacity of communities to make effective use of these skills.

Another crucial factor that has elicited unemployment problem overtime is the demise of the small scale and cottage industries – which operated in both formal and informal sectors. Following the introduction of the Structural Adjustment Program (SAP) in 1986 that ushered in liberalization, deregulation and the devaluation program of the domestic currency, many of the teething domestic firms collapsed. That resulted in

the loss of many jobs, thereby rendering many people unemployed. Although these policies were designed to jump-start the growth of the economy, given the structure of the economies of SSA states, some of the policy packages became out rightly inimical to the system due to their untimeliness.

In Kenya, the employment challenge has been increasing with the low absorptive capacity of the formal sector vis-à-vis the relatively high level of growth of the labour force. Even though the informal sector has been growing in terms of job creation, the jobs are generally precarious in nature and cannot provide the required employment security, social protection, payment of wages compatible with poverty reduction dynamics, and facilitation of the fundamental principles and rights at work as advanced by the ILO (1999).

Government policy documents have, over time, explained the low levels of employment creation in Kenya in terms of low levels of economic growth. Other analysts have linked Kenya's employment challenge to high cost of labour, low labour cost competitiveness, weak productivity growth and institutional weaknesses and rigidities of the economy's labour market.

Kenya has managed to implement policies that result in staggered economic growth over the years. However, the policies have had less impact on employment creation and poverty reduction. On the contrary, the situation has seen socio-economic conditions either remain the same or worsen. Therefore, the policies being implemented have failed to take into account the employment outcomes, and hence have not been "pro-poor". The Kenyan government should consider the impact of its economic policies on employment creation as it is not sufficient to have economic growth that does not result in employment creation and poverty reduction. Achievement of positive employment outcomes should be the goal of every macroeconomic policy undertaken in order to guarantee development of "pro-poor" policies. Employment policy targeting should not be left to employment policies alone but rather ought to be the goal of each policy and strategy under implementation.

2.1. Understanding Effectiveness

Developing and implementing methods for measuring the effectiveness of compliance strategies in a way that is robust, practical and sustainable is difficult. A framework defining and establishing the structure of the measurement process is, however, vital. Measures and indicators detail the extent to which outputs contribute positively to specified outcomes. While measures are capable of precise measurement, indicators are generally viewed as less direct, or proxy measures. It is important to understand that no single indicator will be sufficient to establish effectiveness, and that indicators will be only as good as the discipline applied to planning and developing the desired outcomes. Moreover, it is important to have clear desired outcomes that are demonstrated to align with the overall organisational business intent. Without defensible evidence of a program's

effectiveness, resources will be allocated to a strategy based merely on preferences.

The Youth Enterprise Development Fund has the following mandate: provision of loans to youth-owned and managed enterprises; attraction and facilitation of investments in micro, small and medium enterprises oriented commercial infrastructure such as business premises or industrial parks, markets or business incubators which are beneficial and affordable to young entrepreneurs; supporting youth oriented micro, small and medium enterprises to develop linkages with large and successful enterprises; facilitating marketing of products and services of youth enterprises both in domestic and international markets; provision of business development services to young entrepreneurs; facilitating and supporting employment of youth in the international labour market (YEDF 2011). These are the foundations upon which the YEDF was established and against which its effectiveness is measured.

Against the background of the mandate of YEDF, effectiveness can be conceptualised to mean the imparting of appropriate entrepreneurial skills to the youths; improvement of physical commercial infrastructure; provision of access to support services such as training and marketing, business development services such as idea conceptualization and implementation, business coaching, business advisory, and business counselling; provision of information on markets and job search process; and support for entry into the labour market.

2.2.Theoretical Orientation

The theory of organizational effectiveness has a complex history. In brief, it may be summarized as the development of alternatives to or modifications of what has been called the goal model of effectiveness. The idea that organizations have goals is, of course, the common sense view and a fundamental aspect of two widely accepted perspectives on organizations: the purposive-rational (Pfeffer 1982) and managed systems (Elmore 1978) models. However, over time there have been many criticisms of the goal model (summarized in Mohr 1982). In reaction, several alternatives have been proposed. Cameron (1986), for example, distinguishes the alternatives as system resource, internal processes, multiple constituencies, competing values, legitimacy, fault driven, and high performing models. Others have distinguished somewhat different categories.

The researchers find one contemporary perspective on organizational effectiveness especially relevant to research on non-profit government organizations. The multiple constituency model, which we regard as a modification of the goal model, recognizes that an organization comprises multiple stakeholders or constituents who are likely to use different criteria to evaluate its effectiveness. For example, Kanter and Brinkerhoff (1981) provide an early statement of the model. Given the nature of YEDF, the multiple constituency models must be part of any approach to understanding its effectiveness.

2.3. Conceptual Framework

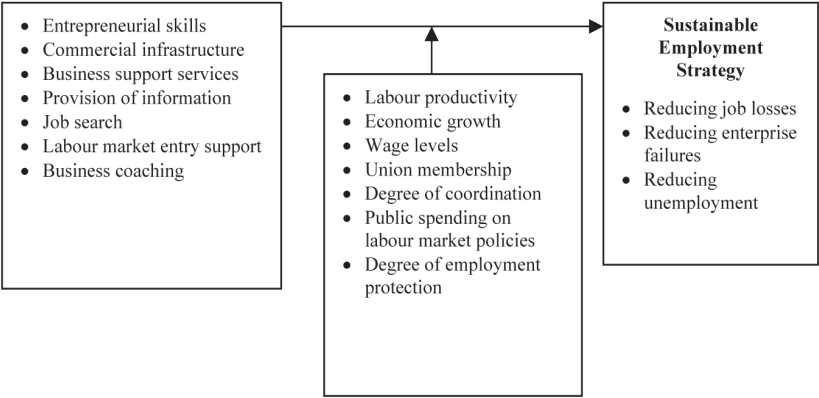


Figure 1. Conceptual Framework
SOURCE: Authors (2011)

3. Presentation and Analysis of Findings

The present research sought an insight into the determinants of youth unemployment such as the effects of labour productivity, economic growth, wage levels, union membership, degree of coordination, public spending on labour market policies, and degree of employment protection. The foundations of youth employment creation proposals in the YEDF policy document and the extent, to which they are sustainable for youth employment creation, were pursued by analysing the objectives of the Youth Enterprise Development Fund as expressed in the Order Paper that established it as well as the situational consideration at the time. Moreover, the extent to which the programmes of Youth Enterprise Development Fund address the youth (un)employment in Kenya, and their effectiveness, were pursued under the various pragmatic actions that the YEDF pursues such as Entrepreneurial skills development, provision of commercial infrastructure, providing business support services, provision of information, job search services, labour market entry support, and business coaching.

Finally, the existing youth employment policy gaps and the appropriate intervention measures was done by trend analysis of the youth unemployment situation since the YEDF was established and other policy actions of the Kenyan government, conducting an overview of similar initiatives in other countries and drawing lessons as well as providing recommendations for future actions.

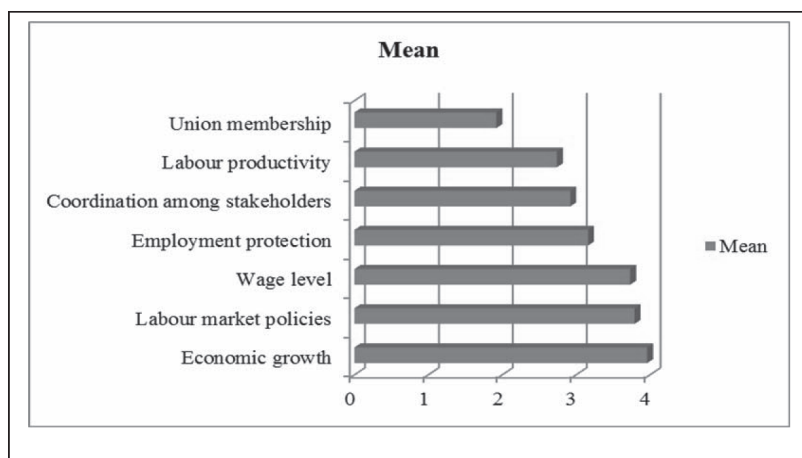


Figure 2. Youth Employment Factors

Objective One: Determinants of Youth Employment

The findings indicate that economic growth is the biggest determinant of employment followed by labour market policies, wage levels, employment protection, coordination among stakeholders, labour productivity, and union membership, in that order. It is, however, important to note that economic growth, high spending on labor market policies, lower wage levels, absence of union membership, lesser coordination among stakeholders and lesser employment protection, and labour productivity have a positive influence on youth employment in Kenya.

The results of the survey indicate that youth employment in Kenya is determined by economic growth, labour market policies, wage level, employment protection, co-ordination among stakeholders, labour productivity, and union membership. In terms of mean ranking, economic growth account for the greatest determinant of employment followed by labour market policies, wage levels, employment protection, co-ordination among stakeholders, labour productivity and union membership coming a distant fifth.

Kenya has historically relied and continues to rely on economic growth to deliver the much needed employment opportunities, but achievement of this will continue to be elusive. This is largely explained by the inability of the country to register a high and sustained economic growth rate compatible with meaningful employment creation (Omolo 2002; World Bank 2008). According to the World Bank (2008), meaningful GDP growth-targeted employment creation can only be achieved if an economy registers at least a seven per cent growth rate and sustains it over decades.

Kenya, however, has suffered from this drawback over the years 2006-2011, a situation which was aggravated by the post-election violence of 2008 which has slowed economic growth at less than 3 per cent.

That active labour market policy is a significant determinant of youth employment is consistent with theory since the higher the expenditure on active labour market policies, the higher should be the level of wage employment within the economy. Clarke (2000) and Kluve et al. (2007) established that public spending on labour market policies helps improve skills and competences as well as job search, which effectively increases the employability of labour market participants besides facilitating job matching. Public expenditure on active labour market policies include expenditure in areas such as employment services, health and safety surveillance in work places, labour administration and inspectorate services, social dialogue, education and training, industrial attachment, and labour market information systems. Such expenditures also help redistribute employment opportunities among the unemployed. The same has not been highly targeted to the youth, hence the lesser impact as compared to economic growth.

Interventions within this track of programs are relevant to the Kenyan situation as a majority of the youth do not possess appropriate labour market skills, knowledge and attitude. A majority of the Kenyan youth is out of school and not involved in productive labour market activities. Programs under this theme are aimed at enhancing access to information through formulation and implementation of active labour market policies, which integrate access to labour market information, career guidance and counselling, offering job search skills, and placements. Active labour market policies are expected to contribute to a highly effective supply of labour by ensuring that the unemployed youth is actively seeking jobs and has the qualifications needed to fill new positions. The intervention also provides a targeted effort towards preventing marginalization and long-term unemployment by ensuring that the unemployed youth maintain their qualifications. Training is a key component of the active labour market policy. Training is important regardless of employment status, and it plays a separate and vital role in improving the employability and productivity of the labour force. This is underscored by the fact that education and training in Kenya are of a fairly general nature, with curricula which are more often than not poorly aligned to the needs of industries.

The level of wages obtaining in Kenya is another important factor that determines the labour cost competitiveness as the data suggest. When the proportion of the wage rate or broadly labour cost to the value added per employee is low and declining, it means that the labour cost competitiveness is low (IEA 2010). This has an effect of dampening organizational competitiveness, ability to expand, and create durable and productive jobs. In Kenya, apart from the wage increments being based on changes in the consumer price indices, and in most cases surpassing the rate

of growth of the economy, wage outcomes are also influenced by political factors (Omolo 2007).

High employment protection legislation seems to drive small or less efficient firms out of the market, which is the characteristic of most of the firms run by the youth. The youth bear most of the adverse consequences of labour market rigidity in the form of employment protection legislation since they are less skilled. Additionally, stringent labour market regulations reduce both firing and hiring of workers and thus employment flows.

The results imply that a higher level of degree of coordination would result in a lower level of wage employment. This is particularly true within the context of the Kenyan labour market where collective bargaining is mainly centred on wage and other monetary issues with little focus, if any, on other conditions of employment that would add towards improved welfare of workers and their general productivity. Consequently, collective bargaining agreements impose greater labour costs on employers and this limits employment creation and absorbing of the youth into the labour market. In addition, work disruption as measured by the number of strikes, lock-outs and go-slows, which are common in Kenya, affect production in terms of reduced output, damages, layouts and overall increase in the cost of production. This finding is supported by empirical results of Forni and Giordano (2003), who present a model that focused on how different degrees of coordination in decision-making processes affect hiring and wage-setting outcomes. Their findings were that cooperation in unions' behaviour results in wage increases and employment reduction in the private sector, whereas it induces wage moderation and employment expansion in the public sector.

Productivity as a determinant of youth employment counts among the least because it has not been effectively integrated and mainstreamed into all sectors of Kenya's economy. This state of affairs may be attributed to the absence of a generally agreed productivity measurement and compensation criteria, and the absence of a national policy on productivity to give strategic direction to productivity management and its supporting systems in Kenya. Proper and effective productivity policy targeting requires determination and appreciation of the contribution of the key factors of production, namely, capital and labour, to overall productivity. This is achieved by computing the factor shares in production.

Evidence exists to show that quality of the workforce, achievement of the optimal mix of managerial-technical-support staff, management skills and manpower issues are some of the areas with the greatest potential to affect productivity. As much as the foregoing factors are critical drivers of productivity, the Overall Labour Effectiveness (OLE), as a measure of utilization, performance and quality of the workforce and impact on productivity has not been given deserving attention in Kenya (IEA 2010). The OLE helps organizations to understand the interdependence and trade-offs of shop floor productivity and profitability by measuring the contributions of the workforce. It also presents organizations with the

opportunity to analyse the cumulative effect of these three workforce factors on productive output, while considering the impact of both direct and indirect labour inputs into the production process.

The higher the number of collective bargaining agreements negotiated between trade unions and employers and registered at the Industrial Court, the higher the level of wage employment and the lower the opportunity for more labour increases and persistence in unemployment. Most of the youth appear either not to belong to unions or are not active in labour unions; that is why union membership counts the least as a determinant of youth employment in Kenya.

Objective Two: The Foundations of Youth Employment Creation Proposals in the YEDF Policy Document

According to the Youth Enterprise Development Fund Order of 2007, the objects and purposes for which the Fund was established are to:

- i). Provide loans to existing micro-finance institutions, registered non-governmental organizations involved in micro financing, and savings and credit cooperative organizations lending to youth enterprises;
- ii). Attract and facilitate investment in micro, small and medium enterprises-oriented commercial infrastructure such as business or industrial parks, markets or business incubators that will be beneficial to youth enterprises;
- iii). Support youth-oriented micro, small and medium enterprises to develop linkages with large enterprises;
- iv). Facilitate marketing of products and services of youth enterprises in both domestic and international markets; and
- v). Facilitate employment of youth in the international labour market;

The researchers think that these objects were not only broad and well thought out, but that their implementation has been caught up within the cog of government bureaucracy, thus causing challenges to their implementation and the effectiveness of the YEDF.

The background of the YEDF policy documents emanates from the major strategic thrust of Kenya National Youth Policy of 2006 which focused on employment creation in which a number of proposals were put forward to address the same. These were, among others: reviewing the existing youth programmes to identify their level of operation with a view to making them relevant and responsive to the youth; identifying and partnering with civil society-owned programmes that are efficiently addressing the youth employment crisis; facilitating the establishment of resource centers at the community level where the youth can get information, training, recreation and counselling on employment creation. The existing centers need to be made fully operational; establishing, in partnership with relevant organisations, a high-level resource centre for technical support to youth

income-generating activities; establishing a Youth Enterprise Development Fund; and creating a scheme for foreign employment.

The policy provides for facilitating large-scale youth employment through public works and environmental conservation; initiating programmes that encourage youth role in credit management and involvement in the co-operative movement; encouraging companies to offer temporary employment, internship and volunteer opportunities so as to give the youth the experience needed to be competitive in the job market (Fig. 3).

A look at the Kenya National Youth Policy of 2006 shows the challenges faced by the Kenyan youth which are broadly summarised in table 1.

Table 1. Foundations of YEDF policy

No.	Proposal
1	Limited financial resource capacity
2	Lack of skills for the labour market
3	Lack of entrepreneurial culture
4	Lack of entry and re-entry mechanisms
5	Inhibitive socio-cultural practices
6	Limited access to information and communication technology
7	Limited access to education and training

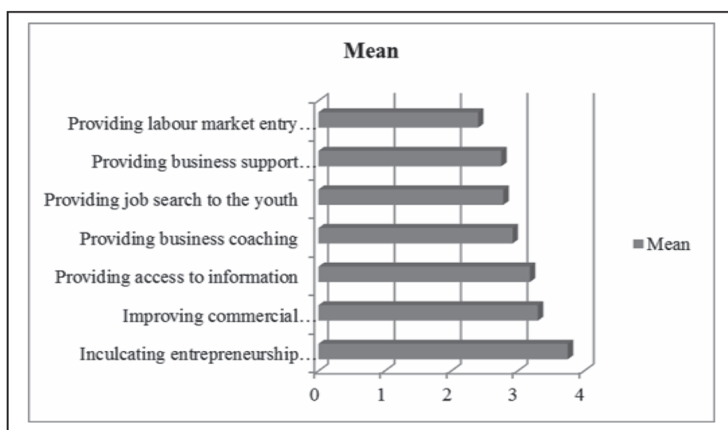


Figure 3. YEDF Facilities

Objective Three: Initiatives of YEDF and Their Effectiveness

On average, most persons felt that the YEDF could be more effective were it to concentrate on inculcating entrepreneurship skills among the youth, followed by providing commercial infrastructure, access to information, business coaching, job search, business support and labour market entry support in that order.

Regarding the YEDF and effectiveness of its programmes, the respondents felt that the Fund should give utmost focus on increasing access to markets by the youth enterprises, reducing youth unemployment, increasing the number of youth taking up entrepreneurial activities, improving the competitiveness of youth enterprises, reducing enterprise failures and reducing job losses.

Since its inception, the YEDF has had various achievements which include: advancing loans amounting to over Kshs 6 billion to about 160,000 youths out of which 5 billion has been advanced to about 150,000 youth through financial intermediaries. The YEDF has also trained over 200,000 youths and facilitated over 6,000 to secure employment abroad. However, these are not impressive figures given the over 13 million youths (18-35) in Kenya and a 70 per cent current unemployment rate out of the total unemployment in Kenya. Providing access to the markets for goods and services and promoting entrepreneurship is one of the surest ways of addressing this challenge.

Some of the objectives have not been implemented, such as the establishment of business incubation centers. This, if combined with a necessary channel for delivery of credit, would not only address the risk concerns inherent in the provision of credit but also work in building the capacity of the youth, inculcating entrepreneurship skills and also reduces enterprise failures.

The YEDF would then be said to be effective if it could, by championing various initiatives, reduce unemployment rate among the youth by at least 20 per cent annually. But given the dismal performance so far, we can conclude that the YEDF is ineffective in achieving its mandate.

The YEDF has, however, not been without challenges which have limited its effectiveness. It has been faced by the challenges of insufficient financial resources to meet the financial needs of the youth, the problems associated with the slow and lengthy government procurement process, the sense of entitlement by the youth on the government funds that are disbursed by the YEDF, which has resulted in a large loan book of non-performing loans, understaffing and hence lack of capacity among the staff to reach out to the youth across the country. For example, the YEDF has only about 80 staff who are expected to deliver on its broad national mandate. The YEDF has additionally to grapple with the challenge of high population growth rate among the youth which they have very little to do with.

Through proper budgetary allocations and government commitment, the YEDF should remain sustainable if it pursues initiatives that would promote the supply side of the market, reduce youth unemployment, increase the number of the youth taking up entrepreneurship activities, improve competitiveness of youth enterprises, reduce failure rates of youth enterprises and reduce job losses.

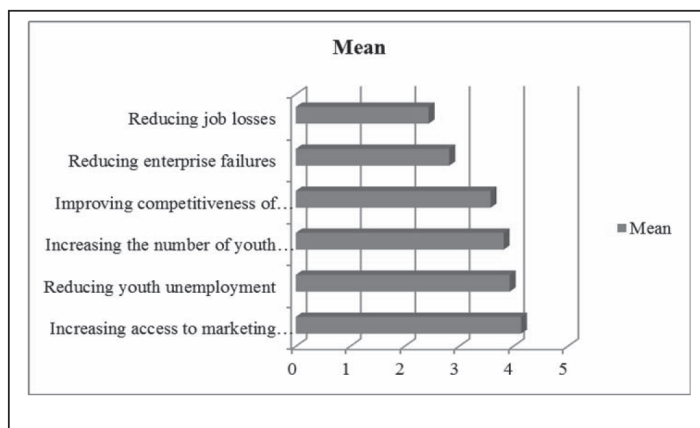


Figure 4. Sustainability of YEDF

The results indicate that YEDF would only be sustainable or put differently, justify its existence, if it increases access by the youth to marketing opportunities, reduces youth unemployment, increases the number of youth taking up entrepreneurial activities, improves competitiveness of youth enterprises, reduces enterprise failures, and reduces job losses. Although some of these expectations can be achieved through multi-stakeholder engagement, the YEDF should play a leading role in this including organizing for and mobilizing resources.

Increasing access to marketing opportunities ranks high since most need markets for their products and services and assistance for value addition assistance for the products or services to be competitive. Secondly, the YEDF should pursue measures that can contribute to reducing youth unemployment and setting up appropriate structures to increase the number of youth taking up entrepreneurial activities, reduce the failure of the enterprise failures and eventual job losses. Job losses rank last since it was understood that these are formal employment which are not only scarce, but also the Fund has very little control of what companies do as regards employment in the country.

Overall, the Government employment interventions need to aim at the acquisition and promotion of efficient use of labour market information, reliance on market forces to mobilize resources for sustained growth, provision of public infrastructure, industrialization, enhancement of private

sector investment and participation in the economy, promotion of industrial harmony and productivity, and liberalization of the labour market. These are to gravitate around micro, small and medium enterprises where the youth are engaged. Through proper budgetary allocations and government commitments, the YEDF shall remain sustainable if it pursues initiatives that would promote the supply side of the market, reduce youth unemployment, increase the number of the youth taking up entrepreneurship activities, improve competitiveness of youth enterprises, reduce failure rates of youth enterprises and reduce job losses.

Objective Four: Youth Employment Policy Gaps and Proposed Appropriate Interventions

Kenya's youth are faced with several employment challenges. These are conceived as a complex function of lack of employability, limited employment creation or absorptive capacity of the economy, weak entrepreneurship culture and unequal opportunities. Most employers in Kenya, particularly those within the private sector have resorted to the increasing use of casual, temporary, part-time, contract, subcontracted and outsourced workforces to ostensibly reduce labour costs, achieve more flexibility in management and exert greater levels of control over labour (Omolo 2010). This trend allows the de-politicization of hiring and firing that makes it easier for companies to avoid labour legislation and the rights won by trade unions. The trend is mainly observed within the manufacturing companies, and the plantation sector (tea, sugarcane and horticulture) where such problems are fuelled by weak enforcement of the labour legislations. The nature of employment of casual workers do not facilitate them to enjoy the fundamental rights of workers such as freedom of association and collective bargaining, right to paid leave (sick, maternity and annual leave), and the right to social protection as provided under the National Social Security Fund (NSSF) and the National Hospital Insurance Fund (NHIF).

This contrasts sharply with the country's desire to promote meaningful, youth employment, reduce poverty and enhance social protection. Overall, the casual relationships between employers and workers have impaired labour relations, eroded worker protection and transferred additional responsibilities, such as social and trade union protection, job security, and wage negotiations to the worker. This leads to lack of motivation and increases shirking, which decreases effort. This could partly explain the persistently low levels of labour productivity, low enterprise competitiveness and the slow economic growth rates in Kenya. The relatively high unemployment levels amongst the youth may as well suggest their disproportionate share in precarious employment.

Policy responses can be categorized into two: preventive and curative. The forgoing analyses show that the youth unemployment interventions in Kenya appear to have mostly been curative in nature. In this case, the policies have attempted to identify who and where the unemployed youth are and tried to deal with their problem. This essentially means treating the

symptoms of youth unemployment and not its causes. To ensure effectiveness, there is need for Kenya to shift the emphasis from curative to preventive interventions. This means moving away from treating the symptoms of youth unemployment to dealing with the causes of the youth employment problem. In this case, focus should be on analysing and understanding the causes of youth unemployment in the country and devising strategies to deal with it. This makes it imperative that the employment challenge facing the youth is broken down into its main causes and specific strategies designed and implemented to deal with the specific types of the youth unemployment. This view requires formulation and implementation of coherent and comprehensive programmes and strategies for promotion of youth employment in the country involving a number of public and private sector organizations.

The contents and implementation record of youth-targeted policies indicate that much more needs to be done. This should be in terms of broader and in-depth conceptualization of the youth problem to identify the driving factors, felt needs, values, education, skills formation and training and work aspirations. The encompassing conceptualization should include issues such as governance, representation, inclusiveness, and participation of the youth in the country's institutions, decision making and development processes. Systematic planning and programming of specific projects to address youth problems and concerns need to be fast-tracked with clear strategies for implementation, and with realizable and measurable targets.

Youth employment interventions should increasingly target the enhancement and promotion of the youth entrepreneurial potential. This can be achieved within the framework of the Youth Enterprise Development Fund (YEDF) integrated with schemes to promote linkages between youth enterprises with medium and large firms, mentoring programmes, entrepreneurial exchange initiatives, and exhibitions to promote markets and market information. Equally important is the need to change the attitude and perception of the society and the youth about the informal (*jua kali*)¹ sector. The negative attitude and perception about the sector discourages many youth from venturing into it, as they do not want to be viewed as failures in life.

To enhance technical and vocational training for the youth, the following strategies should be prioritized:

- Developing a labour market driven curriculum for use in technical and vocational training institutes;
- Promoting the exchange of information, knowledge and human resources between the public and the private institutions as well as

¹ The literal translation of *Jua Kali* in Kenyan Kiswahili is fierce sun; over the years it has been used to mean an informal or non-formal sector where small-scale craft or artisanal works such as tools or textiles are made.

increasing bursary provision for needy students in Youth Polytechnics;

- Maintaining and improving access to technical and vocational skills through the expansion of Youth Polytechnic subsidized tuition and re-introduction of *Jua Kali* Voucher training program;
- Provision and improvement of existing technical and vocational training facilities for the youth and mainstreaming youth with special needs in youth vocational training;
- Formulating and reviewing of the education and training policy as well as creating linkages between training institutions and the private sector through research, internship opportunities and finance and encouraging the private sector to get involved in technical education and training;
- Care should be targeted not to make internship and industrial attachments as avenues of cheap labour.

To address the problem of skills mismatch with the labour market, the business community needs to be closely engaged with educational and training institutions. Some aspects of the relationship can include:

- Industrialists sitting in as members of the boards of educational and training institutions so as to provide input into the curricula for students to learn skills needed by the industries;
- School-Industry Link programs that aid students in appreciating the relevance of learned theories in the world of work;
- Teacher placements in businesses and industries during school holidays to facilitate sensitization of teachers on the skills their students need to acquire;
- Setting up career advisory services and making this accessible to all job seekers looking for information and guidance. This should be both online and through mobile phone.

Courses offered by educational and training institutions in the country and what jobs they can lead to should also be availed through websites.

4. Conclusions and Recommendations

4.1. Conclusions

How does the government plan to address these broad and complex themes? The strategic plan has outlined specific measures for tackling each of the 8 youth-related concerns (YEDF 2008). While we appreciate the government's efforts in addressing the challenges faced by the Kenyan youth, to date, concrete actions are lacking and the youth problem is turning into a social and economic crisis. To contain the impending youth crisis, more efforts, particularly from non-state actors, will be required to

supplement the government's efforts and improve the effectiveness as well as the sustainability of YEDF.

There is a social, economic and political urgency of responding to the challenge of youth employment in Kenya as a precondition for poverty eradication, sustainable development and lasting peace. Investing in young people means investing in the future of a country. Over the years, Kenya has sought to address the issue of youth unemployment and a wealth of employment policy interventions and approaches have been implemented.

Between 1963 and 2011, more than 17 policy measures have been implemented at one point or another. Despite this large number, there has been some continuity, since 10 of these 17 measures have been a constant in the policy menu throughout the entire period.

The most important insights are the following: macroeconomic management can be considered the predominant policy from 1990 to 2011; active labour market policies, with a certain emphasis on macroeconomic measures, were the predominant instrument from 1980 to 1989; and structural and Kenyanization policies were the predominant instrument from 1963 to 1979. In each of these periods, policies were augmented with various short-term interventions that aimed at addressing particular issues of employment generation. On the other hand, interventions such as wage restraint, economic growth, industrial and agricultural promotion, public works programmes and active labour market policies are present over the periods.

Although there has not been a lack of policy initiatives regarding the employment challenge, it can be argued that policies have been inadequate, given the continuous and difficult employment situation in Kenya. That said, it is difficult to assess whether these policies failed because of their focus and/or the manner in which they were implemented or because of the contextual factors present at the time. The question is, therefore, whether well-designed and implemented policies would result in an improved employment situation, given the declining labour productivity and faltering economic growth. There may not be a clear answer to this question since policies have not been adequately evaluated hence the reason to undertake a closer scrutiny of Youth Enterprise Development Fund.

The most that can be said at this level of generality is that the Kenyan policy experience calls for the explicit consideration of three aspects: policy focus; scale of the interventions; and adequate learning from evaluations. The interviews and discussions that took place during data collection shed light on the dimension of the youth employment challenge, and effectiveness of Youth Enterprise Development Fund in meeting these challenges, illustrated in by young entrepreneurs, policymakers, and other youth employment practitioners had the opportunity of a first-hand account on the challenge, which created a unique scenario for open discussions on hurdles and potential solutions.

The study observes that there are seven core barriers which youth face to get a decent job, namely: slow job-growth economies, weak labour market policies and limited expenditure on the same, low wage levels, stricter employment protection legislation, poor coordination among stakeholders, low labour productivity, and union membership. Specific solutions were proposed to address these issues. Governments and business leaders were encouraged to promote labour market demand through policies and investments promoting inclusive growth, dynamic trade, and the development of small and medium sized enterprises.

Addressing the low quality of jobs is an important challenge. The promotion of collective bargaining as well as the introduction of quality standards, minimum income guarantees and inclusive social protection systems were underscored by participants. Improving quality will ensure access to decent jobs.

The study also shows that there is need for improved and youth-friendly employment services. Labour market intermediation is crucial to address information asymmetries and link youth up with potential employers. The potential of social media to inform youth and close the information gap is unique and should be further exploited. There was clear concurrence on the need to foster youth participation. This involves political and social participation and taking part in decisions concerning measures that may affect employment of young people themselves.

The study further observes that in order for YEDF to be effective, more emphasis should be placed on inculcating entrepreneurship skills among the youth by developing a proper training curriculum which provides practical knowledge in areas of business operations such as bookkeeping, marketing, business planning, and opportunity identification and exploitation; providing commercial infrastructure in the form of stalls, and locomotives; access to information on markets and market trends; business coaching more so in the setup of an incubation centre; job search and undertaking a match between the education and training outcomes and the skills demanded by the labour market through surveys of labour market needs and collaboration with training institutions; business support through continuous management training and provision of business finance; and labour market entry support through career counselling and organizing career fairs bringing labour supply and demand together, playing a better role in closing the information gap and fine-tuning matching of young jobseekers with prospective employers.

Overall, the study notes that the YEDF shall be more effective if it puts up measures to assist the youth to access market opportunities by lobbying relevant stakeholders to invest in transport and communication, roads, and electricity; reduce youth unemployment by improving access to labour market information, and pursuing policies that promote self-employment; increase the number of youth taking up entrepreneurship activities; improve competitiveness of youth enterprises by mergers in SACCOs so as to exploit economies of scale, reducing on costs; reduce failure rates of youth

enterprises through business support interventions and incubation services; and reduce job losses among the youth by ensuring that they have the requisite skills for the market place and by spearheading an integrated, multi-sectoral, and multi-stakeholder approach to ensuring stability in the labour market.

4.2. Recommendations

We recommend that the Youth Enterprise Development Fund:

- Provide business support to youth entrepreneurs in the informal sector by setting up business incubation centers hence reducing failure rate of enterprises;
- Create an online job directory to provide the youth a link with potential employers;
- Increase funding to both the existing and new Youth Enterprises. Where funds are inadequate as is currently the case, set-up a Credit Guarantee Scheme with large financial institutions so as to realize financial and economical benefits;
- Develop a training curriculum for the youth that gives a practical guide to the Kenyan job market;
- Involve youth in social entrepreneurship initiatives as a way of converting their challenges into business opportunities;
- Link youth to the private sector through mentoring, professional networking, and organizing career fairs;
- Undertake participatory and continuous training on business management;
- Provide commercial infrastructure to the youth to facilitate access to markets;
- Promote the formation and growth of regional youth cooperative societies as a way of encouraging thrift, financial literacy, managing financial risks inherent in lending to youth entrepreneurs and developing youth leaders, trainers and mentors within such settings;
- Develop strong life skills to reduce youth's vulnerabilities; and
- Undertake systematic monitoring and evaluation of the performance of youth businesses by the Youth Enterprise Development Fund Board and the Ministry of Youth Affairs and Sports.

We further recommend to the relevant Government Ministries to pursue measure to ensure a sustained and stable economic growth of over 10 per cent annually and promote industrialization to expand the economy; Strengthen existing labour market policies including their coordination framework and improving resource allocation; Put in place policies on equal wage for equal work so as not to distort the labour market but at the same time ensuring that the minimum wage is reasonable; Promote human

rights for both the employers and employees within the framework of employment protection legislations; Set-up a one stop agency to coordinate youth employment issues among all stakeholders; Promote high labour productivity among the youth through appropriate training; Put in place mechanisms that give the youth a central role in policy formulation and implementation so that they are part of the solution to their unemployment problem; Encouraging private sector partnering in a win-win strategy for all stakeholders; and Undertake a rapid needs assessment on the YEDF to establish its sustainability in the long term.

Lastly, other stakeholders in the youth employment agenda should provide infrastructure for deposit services to the youth to reinforce financial literacy education; provide opportunities for vocational training and apprenticeship for the youth; and support the Youth Enterprise Development Fund and the Kenyan government in the above mentioned endeavors.

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CHAPTER 5

Assessment of the Effectiveness of the National Youth Policy in Addressing Youth Unemployment in Urban Uganda

*Dorothy Massa**

1. Introduction

Unemployment is a global phenomenon affecting both the developed and developing countries alike. Youth make up 17 per cent of the world's population and 40 per cent of the world's unemployed, with 4.5 per cent adults and 12.6 per cent youth unemployed, respectively¹. With 60 per cent of the total unemployed, the youth make a bulk of the unemployed or underemployed in Africa (Broecke et al. 2013). In many African countries unemployment has bred vices that lead to underdevelopment and instability, for instance, as in the famous *Arab uprising* in Tunisia, Egypt, Libya in 2010, the Kenya riots that erupted in a fairly peaceful country in 2007/08, the South African riot by mainly unemployed black youth in 2009; the 2009 riot in Uganda over the denial of Kabaka's visit to Bugerere where majority were cited to be unemployed youth.

Scholars have analyzed the concept of unemployment at different levels, including categorizing the affected using age group. Unfortunately, the youth in whichever definition seem to be the most affected by unemployment problems. Therefore, this has necessitated the intervention of different players to reduce or minimize the effects of unemployment by the youth.

According to a World Bank report (2012), Uganda is among the countries with a youth unemployment rate of 83 per cent. The report shows that Uganda has the youngest population in the world, after Niger. In the 2011/12 budget of Uganda, the Minister of Finance recognized that because of the high level of unemployment, the Ugandan economy can only absorb 20 per cent of its youth.

The government of Uganda has initiated different mechanisms in the form of policies and programmes aimed at addressing youth unemployment. These include: the Prosperity for All programme; Youth Entrepreneurship Venture Fund; Youth and Employment Productivity Enhancement Fund; Youth Enterprise (Credit) Scheme (YES), and the overarching policy for youth empowerment, the National Youth Policy (NYP) (2001).

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As there have not been many studies to determine the success of previous programmes and policies, this study assesses the effectiveness of NYP 2001 in addressing youth unemployment in Uganda.

2. Methodology

2.1 Introduction

In carrying out this study, three approaches were used: reviewing the NYP and the available literature; using the quantitative method in analyzing of the NHS 2005/6; and employing the qualitative approach in gathering data from FGDs and KIIs. The study used both primary and secondary data such as the NYP and other documents related to youth unemployment. Using a quantitative method, the national household survey for 2005/06 was analysed to generate relevant employment statistics of the youth in Kampala. Qualitatively, Focused Group Discussions (FGDs) were conducted to generate a deeper understanding of issues of youth unemployment in four urban areas of Kampala.

2.2 Study Areas for Fieldwork

While appreciating that youth unemployment was a problem across the geographical divide, the study focused on four suburbs in Kampala, i.e., Bwaise, Kalerwe, Kawempe, Natete, because their high youth population and the presence of a better social infrastructure. The locations of the study areas are in the radius of 5 to 8 kilometres from the city centre which makes mobility for the youth in search of jobs easier. Bwaise is located in the north, Kalerwe in the west, Kawempe in the north-western edges of Kampala and Natete in the south. Many youths have chosen to settle in these areas because of the availability of cheap accommodation and food.

2.3 Focused Group Discussions (FGDs) and Key Informant Interviews (KII)

Focused Group Discussions (FGDs) comprising 15 youths, who were either unemployed or in part-time jobs, were held in each study area, making a total of 60 respondents. Similarly, twenty respondents were selected for Key Informant Interview (KII) involving Youth MPs, relevant government ministries, private sector organisations, civil society organisations and youth leaders. The selection of institutions was based on the nature of programmes in place for the youth and those who are most knowledgeable on youth unemployment issues in Uganda. Additional information was obtained from the Ministry of Public Service, Ministry of Gender, Labour and Social Development, Labour Unions, Workers Unions, Makerere University and Mukono Christian University, Uganda Bureau of Statistics, Ministry of Education and Sports, and the Federation of Uganda Employers. Similarly, further information was collected from youth organisations and policy analysts in various organisations. The purpose of these interviews was to gain a deeper understanding of the effectiveness of national youth policy from the point of view of the stakeholders and

government officials. Other information was collected using a structured questionnaire, with open-ended questions. This was designed to obtain detailed responses. Qualitative data were analyzed using a coding system and quantitative data from the household survey were analysed in STATA.

2.4 Study Challenges

Despite taking all the above measures, the research team encountered the following challenges during the study.

2.4.1 Slow Response by Youth Representatives

One of the challenges was the slow response to appointments by some youth representatives due to time constraint. In addition, many of them were reluctant to participate in the study due to frustration; however, with the help of youth councilors to spell out the objectives of the study, the youth participants eventually cooperated.

2.4.2 Research Fatigue by Youth Respondents

Lastly, most respondents were research fatigued. A number of respondents claimed that they were tired of participating in studies where they do not see direct benefits accruing to them. Thus some of them did not see the usefulness of subjecting themselves to interviews when they were not getting any immediate benefits. The team, however, managed to work with Local Council 1 (LC1) to mobilize the youth.

3. Literature Review

3.1 Youth Definitions

The concept of 'youth' has been understood and used differently by different governments, NGOs and the public in general in many countries. In most countries, 21 years is regarded as the age at which many of the activities and responsibilities of 'adulthood' are assumed to start legally. In most African countries, the tendency to extend the category of youth to 30 years and beyond seems to be a reflection of the emerging phenomenon of a prolonged period of youth dependence. In Sierra Leone, for instance, young people have coined a neologism of 'Youth Man' to describe their status or anyone who has gone beyond the age customarily associated with 'youth' (Mkandawire 1996). According to the Constitution of the Republic of Uganda [see Articles 25 (1) and (2), Article 29 (1) Article 34 (4) Article 40 (1), (3) and (4)], the age range of 18-30 years has been adopted as the national definition. International bodies have also differed widely. For instance, while the United Nations defines youth as persons between 15-24 years, the World Health Organization regards the youth to be those aged 10-24. Divergences on definitional grounds stand a risk of governments failing to reach a common, and internationally agreed ground on best strategies to tackle challenges faced by the youth. Effective interventions will require harmonizing understanding of the youth across the board.

3.2 Youth Unemployment in Africa

The combination of population growth and the slow pace of job creation in Africa present challenges to its youth. With more than two-thirds of its population under 25 in 2010, Sub-Saharan Africa is the youngest region in the world, providing reservoirs of change, progress and social dynamism. More than 20 per cent of the continent's population or almost 200 million people are "youth" (African Economic Outlook 2010), between 15-24 year old, and over 30 per cent aged 15-35 years old as per AU definition of youth. This youth population in Africa is expected to double by 2045. A very high proportion of these young people are poor. On average 72 per cent of the youth population in Africa lives on less than \$2 per day. The incidence of poverty among young people in Nigeria, Ethiopia, Uganda, Zambia and Burundi is over 80 per cent (World Bank 2009). The highest rates of poverty can be observed among young women and youth living in rural areas². The youth population constitutes about 37 per cent of the total labor force. This young labor force is projected to expand more rapidly than anywhere else in the world³.

During the early years of independence in the 1960s and 1970s, the youth in Africa did not pose a serious social problem; as result, unemployed and 'disadvantaged' youth were not a major target for governments and funding agencies (Bennell 2000). Since then, however, concerns have been rising over the socio-economic situation of young people in much of Sub-Saharan Africa and the prospects of creating additional livelihood opportunities for them (Grierson 1997). Rising youth unemployment trends in Sub-Saharan Africa are largely due to existence of very few opportunities for paid work and high rates of population growth (ILO 2012).

The share of unemployed youth among the total unemployed can be as high as 83 per cent in Uganda, 68 per cent in Zimbabwe, and 56 per cent in Burkina. Recent estimates of the AfDB based on household surveys for selected countries in Sub-Saharan Africa and data from ILO reveal that youth unemployment, including those who have stopped actively searching for employment, is around 34 per cent (see Figure 2). Youth unemployment in Tunisia was estimated at 14.2 per cent in 2010, and is even more pronounced among young graduates with masters' degrees in law, economics and management, estimated at 47 per cent in 2007 for individuals between 23-29 years old (Stampini and Verdier 2011). According to the Uganda Investment Authority and the UBOS (2003), of the 400,000 Ugandans who join the labour market annually, only 113,000 are absorbed in formal employment, leaving the majority in the informal sector.

Traditionally, the approach of employment protection within the policy framework has largely hinged on introducing clauses governing individual labour contracts to prevent employers from firing workers on their own volition. Other approaches have been promoting anti-discrimination of workers of certain characteristics. In theory, while such interventions may

be good, they may result in counter-effects on youth unemployment. Consequently, employers may hire fewer workers in anticipation of higher dismissal costs, thus reducing job creation (Forrier and Sels 2003). The magnitude of the effects also hinges on the degree to which wages can adjust in order to reflect higher dismissal costs (Lazear 1990).

Uganda has pursued a number of structural reforms to support formal private sectors which include: maintaining macro-economic stability; review of the tax regime; simplification of licensing procedures and implementing programmes for strengthening the business environment, including implementation of competitive policies (Damiano 2003). Literature shows that the national policies are very strong on entitlements of the youth and their organisations but not yet very clear on youth rights to education, health, a secure environment, food security, parentage, ownership of productive assets and protection from exploitation, love and affection, non-discrimination, and rights to travel, express views and opinions and not to be sexually or otherwise harassed (Mihyo 2010). The South African and Namibian youth policies which have given clearer guidelines on rights of the youth could be examined for comparison (GRN 2001).

3.3 Government Legal Interventions

The Government of Uganda has taken the following steps to address youth unemployment:⁴

Article 40 of the Constitution of the Republic of Uganda makes provision for economic rights. The Parliament is mandated to enact laws to provide for the rights of persons to work under satisfactory, safe and healthy conditions, to ensure equal payment for equal work without discrimination; and to ensure that every worker is accorded rest and reasonable working hours and period of holidays with pay as well as remuneration for public holidays. Some of these measures include the following:

- i. The Employment Act No. 6 of 2006 that governs employment relations and a number of its provisions has a direct bearing on the question of youth unemployment.
- ii. The Business, Technical, Vocational Education and Training (BTVET) Act 2008 addresses the inadequacies in the school-oriented educational system, namely the lack of practical skills.
- iii. The Employment (Recruitment of Ugandan Migrant Workers Abroad) Regulations No. 62 of 2005 that promotes full employment and equality of employment opportunities for all and to uphold the dignity and rights of Ugandans.

4. Research Findings

4.1 Review of NYP 2001

The National Youth Policy (NYP) 2001 was initiated by the National Resistance Movement (NRM) government because the country lacked an explicit, coherent, and comprehensive national youth policy to guide and ensure sustainable youth development. Youth planning had previously been organisation-based and reactive to prevailing circumstances. Therefore, it was against this background that the government decided to initiate an explicit and coordinated National Youth Policy that would address the developmental needs of the youth in a comprehensive manner. The government hoped to empower the youth through this policy by providing an appropriate framework for enabling the youth to develop social, economic, cultural and political skills that enhance their participation in the overall development process and improve their quality of life.

Prior to the initiation of NYP, although, there were several youth programmes that had been operational in line with the national planning for youth development, they were organisation-based and reactive to prevailing circumstances. These programmes included: the National Union of Youth Organization (NUYU), which was later replaced by Uganda Youth Development Organization (UYDO) and targeted out of school youth between ages 13-30; National Union of Students of Uganda (NUSU) which targeted youth in secondary and tertiary institutions, and YFU which targeted the youth aged 10-25. Each of these youth bodies fell under the mandate of different Ministries. For instance, NUYO was under the Ministry of Culture and Community Development, YFU was under the Ministry of Agriculture, while NUSU was under the Ministry of Education. Yet, because of the strong economic base the country enjoyed at the time, they received substantial and extensive support from Government in terms of resources and facilities. They also enjoyed support from International Agencies like Food and Agriculture Organization (FAO) for the YFU programme, United Nations Children Fund (UNICEF) and United Nations Development Programme (UNDP) for girls and vocational training.

Unfortunately, like most sectors, youth services and programmes lagged behind during the period of economic mismanagement and civil strife in Uganda. Many youth dropped out of school and education lost meaning; a number of them joined armed struggles; rural-urban migration of the youth increased; new diseases like the HIV/AIDS surfaced and many households came to be headed by young people in circumstances where adults were claimed by HIV/AIDS or the armed struggles; programmes for youth declined and some collapsed due to lack of funding, and there was a lot of manipulation of the youth by some politicians which also created suspicions towards government-instituted youth bodies.

After taking power in 1986, the NRM government tried to organise the youth. First a youth affairs section in the Ministry of Youth, Culture and

Sports was upgraded to a department headed by a commissioner; secondly, a structure for youth mobilisation that was all-embracing and whose membership was Ugandan citizens aged 18-30 was instituted; and finally, a National Youth Council Statute was passed by Parliament in 1993 which led to the election of youth representatives from grassroots to the national level.

4.3 Mission, Goal and Objectives of NYP

The mission of NYP is 'youth empowerment'. Unfortunately, this mission is seldom achieved as most youth respondents in FGDs displayed ignorance of the existence of the policy. The onus therefore would be on the initiators to ensure that the beneficiaries are sensitised on what the policy is about, how it benefits them and how they should participate in its implementation.

The goal of NYP is to provide an appropriate framework for enabling the youth to develop social, economic, cultural and political skills so as to enhance their participation in the overall development process and improve their quality of life. Although the goal is comprehensive in addressing most of the areas that the youth need for development, most KI revealed that much of the implementation of this policy had not been realised.

The objectives of NYP include:

- i. To initiate, strengthen and streamline all programmes and services targeting the youth;
- ii. To promote social and economic empowerment of the youth;
- iii. To build capacity and provide relevant training and information to the stakeholders;
- iv. To promote growth in the development of the youth through actions that protect, empower and prepare them for adulthood;
- v. To provide psycho-social support and other services to youth in conflict situations, difficult circumstances and to the disadvantaged groups;
- vi. To increase youth involvement in decision-making, leadership, community-based and other development programmes;
- vii. To mobilise resources for youth programmes and projects at all levels.

4.4 The Strategic Priority Areas

The realisation of the objectives of NYP was largely dependent on the successful implementation of the strategic priority areas and action points developed to address the policy's mission, goal and objectives. The study examined whether the eight strategic areas had been realised.

4.4.1 Education, Training and Capacity Building

This strategic area was meant to: advocate for increased accessibility to formal and informal education and career guidance; support vocational training and establishment of internship and apprenticeship to enable the youth acquire a range of skills and essential tools; mobilise the youth, parents and school authorities to take advantage of available education and training opportunities at all levels and to support the girl-child education and retention in schools; promote the creation of youth skills centers in all districts to enable youth, their leaders, workers and youth organisations to access information and acquire practical skills; and promote appropriate Functional Literacy Programmes and special training for youth who are illiterate and migrants, including pastoralists, the internally displaced persons, refugees, street children and the disabled.

In responding to education, training and capacity building, the study found out that government had put a lot of efforts in establishing UPE, USE and vocational training through the enactment of BTVET Act 2008. However, despite these efforts, the level of literacy for the majority of the youth was not adequate for them to acquire meaningful employment. The other challenges mentioned by FGDs were that the UPE and USE programmes had inadequate facilitation in terms of scholastic materials and motivated teaching staff. If these have to be realised then the government has to look into ways of monitoring and evaluating these programmes and ensuring that they maintain a required standard. The study also noted the collapse of FAL, but the FGD reiterated that they were not effective because they lacked teaching staff that were not well motivated or lacked adequate knowledge, supervision was not being carried out and general facilitations had long ceased to be remitted.

4.4.2 Employment and Enterprise Development

This area was to: advocate for formulation and implementation of an appropriate National Employment Policy that addresses and responds to the concerns of the youth such as discrimination on the basis of age, gender and experience; institute effective measures to prohibit and eliminate child labour and also protect young women and men against any other forms of exploitation; promote income generating activities among the youth by supporting appropriate Micro Credit Financial Institutions that extend credit facilities to the youth; promote youth enterprise development through enterprise education and establishment of information services; advocate for creation of a Youth Trust Bank; support implementation of the 1998 Land Act to increase access, ownership and rights of the youth while encouraging the adoption of modern agricultural knowledge; provide youth who are farmers with market information and agricultural extension services; establish a loan scheme for youth students in tertiary institutions.

The study observed that there were the necessary policies on employment, but like many other policies their implementation has been slow thus

failing to achieve their objectives. The study further found out that the youth still continue to be exploited due to inadequate education, lack of experience, age, and 'not being politically' connected. FGDs decried that they observed some of their friends who were not even as qualified got jobs while they were rejected because of no 'god father'. The study also found out that the government initiated a capital venture fund for the youth. Unfortunately, accessibility of this fund by the youth was hampered by lack of a clear policy. In the area of agriculture and farming, the study established that the government had provisions on the NAADS programme wherein youth interested in farming were to benefit. Sadly this had not been realised to the benefit of the youth. Some KI decried that the NAADS programme was experiencing problems and it needed to be overhauled and re-examined.

4.4.3 Youth Involvement, Participation and Leadership

This area was to: advocate for increased and effective youth representation and participation in key positions of decision-making, leadership and management at all levels of Government and in civil society; advocate for review of and harmonisation of the National Youth Council statute of 1993, the Local Government Act of 1997 and the Decentralization Policy to support the Youth Council structures and other youth programmes; strengthen and promote Youth Networks at all levels and ensure their integration with Internal Networks; promote and support youth institutions for peace and conflict resolution; advocate for realisation of the rights of the youth with disabilities and ensure their participation in all youth programmes.

The study found out that the government initiated a National Youth Council Statute which was passed by Parliament in 1993 and led to the election of youth representatives from grassroots to the national level. Although this gave a platform for youth to have representation in parliament, there are only five youth MPs out of 378 parliamentarians and this is seldom enough bearing in mind that the youth comprise 55 per cent of the total population in Uganda. There is need for the government to devise a more representative way to include the youth in decision making, leadership and management. The study did not find any information on any reviews done on programmes or policies to incorporate the youth issues. Therefore, although different documents recommended that the youth issues be incorporated in the various government policies and programmes this is yet to be realised.

4.4.4 Health Programmes

This area was to: advocate for the improvement, provision and expansion of access to services including information, guidance and counseling and make them youth friendly by removing all legal, regulatory, structural, medical and attitudinal barriers to accessing such services; equip the youth with appropriate life skills and mobilise adults, families, communities,

institutions and policy makers to create a safe and supportive environment for growth and development of the youth; advocate for the promotion of innovative ways of mobilising resources for services for the youth emphasising the partnership with Central, and Local Government, NGOs and the private sector; ensure full protection of young women and men from all forms of violence, including gender-based violence, sexual abuse and exploitation, and promote the psychological recovery and social and economic reintegration of the victim; build partnerships and coordination among stakeholders involved in youth health and development; advocate for adoption and implementation of the Adolescent Health Policy.

The study did not find much done in this area of health in relation to the youth. However, the FGDs revealed that they were aware of Naguru Teenage Health Centre which helps teenagers with issues of teenage pregnancies, counseling and testing for HIV/AIDS. However, the facility is too small to cater for even the youth within the city. The government should set more centers around the country. Most of the other issues in this area were being handled by the NSA and it was beyond the scope of this study to establish how effective they were.

4.4.5 Management, Coordination and Partnership

This area was to: establish and strengthen institutions dealing with youth development through institutional capacity building programmes and ensure coordination and networking at all levels; institute and strengthen national and district capacities to gather, analyse, disseminate and use youth-related data and set up a data bank; advocate for increased resource allocation and support for youth programmes and activities; lobby for integration of youth concerns into central and local levels, planning and budgetary provisions.

The study did not find much government activities in this area. Only the NSA's were helping in impacting the youth with advocacy and lobbying skills to enable them to be integrated into the central and local levels of planning. The success of the activities of the NSA were beyond the scope of this study. However, some KI informed this study that the services of NSA were barely enough to cater to most of the youth even in the urban areas.

4.4.6 Youth, Society and Culture

This area was to: promote respect for various cultural, religious and political differences and identities and instill the spirit of tolerance and unity in diversity among the youth; advocate for a conducive socio-cultural environment that involves the youth and protects them against harmful traditional practices, beliefs and culture-based gender discrimination and practices; support the rehabilitation of the youth who are in conflict with the law; advocate for a strict Drug Control Policy; collaborate with the youth, youth service organisations; parents and the community on rehabilitation of drug abusers, focusing on social reintegration; encourage

youth artistic and cultural expression through support of arts and cultural festivals, competitions and other activities that promote the cultural heritage, identities and national pride; support appropriate measures to prevent crime and deal with young offenders; increase awareness, protect and safeguard the rights of the youth as well as their obligations to the community and communities responsibilities to them; ensure that programmes and services are accessed to refugee youth population and those who are internally displaced with particular attention to their needs of basic social services such as education, health services, skills training, etc.; advocate for alternative prison services for youth such as community service and policing for minor offences.

The study found out that the issues in this area were handled more by the CSOs than by the government. However, as stated earlier in this report, it is beyond the scope of this study to establish the success of the activities of the NSA in relation to youth empowerment and development.

4.4.7 Recreation, Sports and Leisure

This area was to: advocate for formulation and implementation of a National Sports Policy that addresses sports for all; encourage organisations to promote development of sports, traditional and modern, for recreation and competition among the youth; promote sports, recreation and leisure activities and develop models that appeal to young people; preserve and promote positive traditional sport.

The study found out that although the Ministry of Education included sports, there were no visible efforts on youth inclusion in sports activities that focused on youth employment; however, several NSAs had come up with strategies of including the youth in sports through sport academies. Still, the study could not verify their effectiveness in addressing youth unemployment issues.

4.4.8 Environmental Conservation

This area was to: advocate for sustainable utilisation of the environment through promotion of youth education and awareness on the dangers of environmental degradation; promote conservation of the natural resources - soil, forest, biomass, water, wildlife, wetlands, etc., through such activities as afforestation, re-forestation and proper waste management by the youth. In this area little is done on the side of government; however, respondents revealed that a lot is being done by CSOs in this area.

4.5 Analysis of National Household Survey 2005/2006

4.5.1 Size and Composition of Youth in Urban Kampala

Overall, the youth in 2006 constituted 18 per cent of the population in urban Kampala, 19 per cent of them were female while 17 per cent were male (table 1). The age category of 21-25 was dominant in terms of size, across gender, averaging at 7 per cent, followed by youth between 26-35.

Table 1. Total number of youth between the ages of 18-35 in Kampala

<i>Age</i>	<i>Male (%)</i>	<i>Female (%)</i>	<i>Total (%)</i>
18-20	2.63	3.3	2.97
21-25	7.7	6.12	6.91
26-30	4.21	5.11	4.66
31-35	2.67	4.22	3.45
TOTAL	17.21	18.75	17.98

SOURCE: Author's computation from UNHS 2005/06

4.5.2 Patterns of Employment

According to the results of the 2005/06 household survey, more male youth are in employment compared to their female counterparts across all age categories (table 2). In this regard, it is important to find out barriers leading to female youth unemployment in urban areas despite general gender sensitisation and emancipation activities being carried out in order to achieve the fourth millennium development goal.

Table 2. Employment rates by gender

<i>Age category</i>	<i>Unemployed</i>			<i>Employed</i>		
	<i>Male</i>	<i>Female</i>	<i>Total</i>	<i>Male</i>	<i>Female</i>	<i>Total</i>
18-24	21.9	28.6	26.0	78.1	71.4	74.0
25-30	29.4	32.9	31.3	70.6	67.1	68.8
31-35	24.4	40.0	30.3	75.6	60.0	69.7
Overall	25.4	31.6	28.8	74.6	68.5	71.2

4.5.3 Nature of Work across Gender and Age

Amongst the youth who reported to have worked in the previous week, or those that did not work, but had activities that they would definitely return to during the following week, the largest proportion constituted individuals who were temporarily employed for a wage in the private sector (44 per cent), followed by the self-employed who constituted 33 per cent of the sample. The youth employed by government represented the least proportion at 3.3 per cent, while a sizeable number worked at home and received no income (8.2 per cent). These results provide interesting but understandable dynamics. First, the private sector contributed significantly, more than the public sector, in creating jobs. Second, the results signal a high level of informality. The same patterns were reflected across gender, although the male youth in private temporary employment were 10 per cent

points more than their female counterparts, overall. Across age categories, temporary work was more pronounced among the youth aged 31-35 years. This pattern was also observed across gender, for the different age categories.

Table 3. Nature of work

Type	18-24			25-30			31-35			Overall		
	M	F	Total	M	F	Total	M	F	Total	M	F	Total
Self-employment	34	30.7	32.0	27.1	45.1	36.4	22.6	40.0	28.3	28.7	36.9	33.0
Unpaid family work	8	6.7	7.2	16.7	7.8	12.1	3.2	1.1	2.2	10.1	6.4	8.2
Government	2	2.7	2.4	2.1	5.9	4.0	6.5	2.2	4.3	3.1	3.6	3.3
Private permanent	6	18.7	13.6	8.3	5.9	7.1	12.9	13.3	13.0	8.5	13.5	11.1
Private temporary	50	41.3	44.8	45.8	35.3	40.4	54.8	46.7	52.2	49.6	39.7	44.4

SOURCE: Authors own computation from UNHS 2005/06

4.5.4 Education Status and Employment

According to the analysis, 40.4 per cent have the highest level of education, followed by secondary (35.5 per cent) and 4.6 per cent have no education (see table 4). The proportion of individuals with university or higher education was low, at 6 per cent. A low proportion without formal education is not surprising, given that there has been a significant improvement in access to both primary and secondary education in Uganda in the last decade. Access to primary education has increased to over 7.3 million with the girl-child being the greatest beneficiary while at Secondary it has increased to 721,212, with 78 per cent attending private secondary schools. Completion rates have increased from 49.1 per cent in 2002 to 62 per cent in 2004, but with more boys than girls (i.e. 72 per cent and 54 per cent, respectively). While transition rates to senior one for girls is higher than that of their male counterparts (i.e., 61 per cent and 68 per cent, respectively), transition rate for senior five for boys is higher than that of girls (i.e. 43 per cent for boys and 33 per cent for girls).

There were no substantial differences across gender. Not surprisingly, individuals with primary and secondary education formed the largest proportion of the unemployed. It is not surprising because this category still has the highest share in education levels, implying that the largest pool (more than 70 per cent) of the sample belonged to this category. One possible implication here is that the largest proportion of those looking for

jobs had no skills. Thus interventions need to give attention to this category of the youth.

Table 4. Education status and employment

Education	Total sample			Employment status	
	All	Male	Female	Employed	Unemployed
No education	4.6	4.2	5	1.9	12.1
Primary	40.4	44.6	37	42.3	35.4
Secondary	35.5	35.5	35.5	33.3	41.4
Post-primary Cert	5.0	2.4	7	6.37	1.0
Post-sec Cert	8.2	6.0	10	9.0	6.1
University	6.3	7.2	5.5	7.12	4.0

SOURCE: Author's own computation from UNHS 2005/06

Table 5 shows that 60 per cent of youth have no education and 58.8 per cent have post-secondary certificate. It is important to note that individuals with lower levels of education were less likely to enter formal and permanent employment. Therefore, 26.3 per cent of the university graduates are employed in unpaid family work and the private sector with 15 per cent being employed in government sector. Thus, education is a key factor in employment, given its positive correlation with skills and innovation.

Table 5. Employment type across levels of education

	No educ.	Primary	Secondary	Post-prim. Cert	Post-sec Cert	Univ.
Own account worker		34.5	32.58	17.7	33.33	5.26
Unpaid family worker	40	7.08	6.74			26.3
Government			1.12	5.88	8.34	15.8
Private permanent		2.65	12.36	17.7	33.33	26.3
Private temporary	60	55.8	47.19	58.8	25	

SOURCE: Author's own computation from UNHS 2005/06

Figure 1 below shows that 56 per cent of the youth were employed in the private sector (self-employed), followed by wage employment (26 per cent) and the least (18 per cent) are in the agricultural sector. According to the youth in the Focus Group Discussions, working in the agricultural sector requires experience, energy and capital which the majority of the youth did

not have; neither did they own land in urban areas. Despite the government's efforts to engage youths in agricultural activities, the youths who were interviewed have not benefited from government programmes.

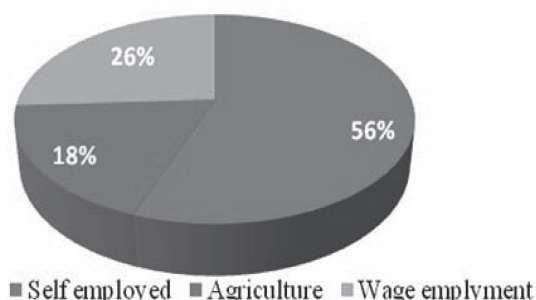


Figure 1: Sectoral contribution to employment

SOURCE: Author's own computation from UNHS 2005/06

4.5.5 Challenges Encountered by the Youth in Finding Jobs

A large percentage (80 per cent) of the respondents argued that government is to blame for not involving youth in the design, implementation and monitoring of youth policies and programmes. Youths in the FGD attributed their lack of access to employment to poor education systems which they described as "more of theory and lacking in practical skills". As one of them put it: "There has been too much talk about improving UPE and USE, but there is little action taken to involve the qualified youths in the public sector by the government" (FGD, Bwaise).

Despite government obligation to absorb the youth into the labour markets, a majority of the public institutions don't trust the youth. Many of them tend to describe them as "immature people with little innovativeness". One youth said, "I have been moving from office to office searching for jobs for three years; I have resorted to *boda boda* riding" (FGD Kalerwe).

There is limited information on the available jobs within institutions, despite the adverts made in *National New Vision*, *The Monitor* and other newspapers. The youth said that the jobs advertised in newspapers are for formality. Many of them have their owners within the respective ministries and institutions. Another challenge was that many institutions have adopted a habit of advertising internally thus denying to the majority of the youth access to information.

Despite efforts by the government to decentralise recruitment at the district level, a majority of the youth reported that the decentralisation policy has been inefficient since it is marred by corrupt officials who are interested in some money before one is offered a job. A youth in Kalerwe explains: "Jobs at the district level are meant for relatives of those who are already

in office. If one is not known it's difficult to get a job at the district unless one is willing to pay some money to those who are conducting the selection and interviews”.

Respondents reported that the introduction of new technology has greatly displaced the would-be workers. It was noted that most employers now demand for only a few skilled and multitasked employees to work in technical areas. The main explanation for this is that with the introduction of more efficient technology, many of the manual jobs once done by young people are now done by machines.

5. Conclusions and Recommendations

5.1 Conclusions

The youth unemployment problem should not be seen as a special anomaly of an otherwise employment-friendly environment, but as a manifestation of the overall structural problem that affects youths as well as adults and the general environment where they live. This requires increased allocation of resources; capacity development and the construction of a database on youth unemployment with innovative approaches that can help the youth to find meaningful or decent work. In Uganda, as in many African countries, youth unemployment is a big challenge. Although the study found the existing NYP as good intentioned, in its current state which is commonly referred to as “paper work” by respondents, it may never be able to address youth unemployment and other development issues. Therefore, the onus is on the initiators to sensitise and involve stakeholders in the implementation and eventual ownership of the policy.

The study noted that due to limited job opportunities in the country many youth were being lured into jobs abroad but which ends up being a hoax or different from what was advertised.

The study also found out that the NSA were involved in carrying out activities in most of the strategic areas. Although it was beyond the scope of this study to establish their efficacy in reducing youth unemployment, their contribution is nevertheless important and worth noting.

5.2 Recommendations

The study recommends that for NYP to realise its objectives, the following need to be addressed:

- i) Expeditious implementation of the policy. Delay in the implementation of this policy undermines its importance and compounds the challenges of youth in development. Therefore, the government should deliberately seek for resources to enable this policy to be implemented to the full.
- ii) Involvement of stakeholders in the implementation of the NYP. The FGDs decried the exclusion of the youth in the design and

formulation of the policy. The KIs accepted that it may have been a big anomaly not to adequately involve the main stakeholders in the process. However, the study recommends that the government should look for ways of sensitising, involving, and incorporating the youth to ensure its implementation and ownership of the policy by the beneficiaries.

- iii) Involvement of the NSAs in the implementation process. The NSAs are an important component in any country's development. It is important that they are fully involved through the public-private-partnership (PPP) in the implementation of the NYP.
- iv) Translation of the policy into local languages that most of the youth can understand. It would be imperative that all the youth for whom the policy is meant should understand the policy. The study recommends that in order to have the youth fully participate in its implementation, it should be translated at least into the main local languages to cater to the illiterate youth especially in the rural areas.
- v) In-depth studies on policies and programmes in relation to youth development. This study only looked at the success of the NYP in reducing youth unemployment in Uganda. It is important to know how the other policies and programmes are working in the area of youth development.
- vi) Streamline the labour export system in Uganda. Due to challenges faced by the youth in accessing and securing jobs abroad, the government should put in place strict measures to ensure the safety, decency and human rights of Ugandan youth are maintained wherever they can access employment.
- vii) An independent ministry for the youth. According to some KIs, the slow pace of implementation is because the Ministry of Gender, Labour and Social Development is overstretched with several activities. The study therefore suggests that an independent ministry for youth be instituted to deal with youth issues.

Notes

1. <http://www3.weforum.org/tool/gac/youth-unemployment-visualization> 2013.
2. <http://www.un.org/esa/socdev/unyin/wpayhunger.htm>
3. McKinsey Global Institute. 2010. AfDB Database. The continent has more than 500 million people of working age and by 2040 that number is projected to exceed 1 billion.
4. The joint east African community youth programme of action proposed by young people of east African community during east African regional youth conference on trade and business, August 9 – 11, 2012, Kampala, Uganda.

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CHAPTER 6

Experiences and Aspirations of the Unemployed Youth in Ohangwena and Khomas Regions of Namibia

*Ndeshi Namupala**

1. Introduction

Youth unemployment is persistently on the increase in Namibia, with varying levels of severity across different age groups and regions. The youth constitutes the majority of the Namibian population, meaning that 38.2 per cent of the total population is aged between 15-35 years. Unemployment affects the youth more than any other group, making them vulnerable to poverty and social exclusion (ILO 2012a). Their socio-economic and cultural background influences how young people experience unemployment. Generally, in many African countries unemployment is often higher in rural than in urban areas and it has been the case in Namibia for the past 23 years of independence. However, the 2012 Namibia Labour Force Survey (NLFS) report indicates that rural unemployment currently stands at 26.2 per cent while in urban areas it currently stands at 28.2 per cent (NSA 2012a). This can be explained as a result of many people migrating from rural to urban areas in search of better opportunities.

In Namibia, as in the rest of the world, employment benefits remain the most reliable insurance, allowing individuals to access an income that meets their basic needs such as shelter, adequate nutrition and some additional wants such as consumer goods and services (Kanyenze and Lapeyre 2012). The youth have more difficulties finding a job; they have longer periods of unemployment and, if they are employed, they often have lower prestigious jobs and lower earnings compared to other population groups (ILO 2012a). One explanation for high youth unemployment is that many young people are less skilled and have less experience (ILO 2012a; UNECA 2005; O'Higgin 2001). Another explanation is that young people are disadvantaged in the labour market because of their limited social networks (UNECA 2005). It is assumed that the youth not only have fewer contacts, but that they also have predominant contact with other unemployed youth who have less access to the labour market and therefore have little information on job opportunities (Quinn and Seaman 2008). The difficulties faced by youth in entering the labour market is also said to impact on their aspirations (Lowe and Krahn 2000; Quinn and Seaman 2008). Because of the scarring effects of unemployment on a young person's life and the absence of social welfare support in Namibia, it is

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essential to understand how the different youth cohorts experience unemployment and how these experiences shape their aspirations and attitudes towards finding a job.

1.1 Statement of the Problem

Youth unemployment in Namibia currently stands at 38 per cent; it is higher for female youth (44 per cent) than for male youth (33 per cent), according to NSA (2012a). Government does not provide social welfare services or income support, particularly to persons who are not pensioners or disabled. This means that young people, whether from urban or rural areas, must find their own alternatives to survive unemployment. There is not much information on how young people experience unemployment in Namibia. It is also not clear who supports them in the absence of social welfare and unemployment schemes. This study seeks to find out the experiences of unemployed youth and their aspirations and attitudes towards finding work. This study also investigates the social support system available to the unemployed youth and by whom this support is provided.

1.2 Methodology

This was mostly a qualitative study using the diary interview methods and one-on-one in-depth interviews. Respondents were asked to complete a diary for 14 days, where they were required to record their daily experiences, their expectations and attitudes towards finding a job. They were also asked to record how they spent their time as unemployed individuals, whether or not they went out to look for work and what type of job they aspired to have. In addition, respondents were asked to indicate how many times they received support such as clothes, food and money and from whom. Respondents were also asked to write down how long they have been unemployed and what they thought led to their unemployment. The diary had guiding questions that allowed respondents to record activities and events in their own words and at their own time. Placing interviews were done to explain the diary keeping procedures to the respondents.

Given that this method involves self-completion of information, the diary sample was biased towards literate respondents and those willing to open up about their experiences. It was a challenge convincing the respondents to complete the diaries every day as many felt it was too much effort. Some respondents forgot or skipped some days. In-depth interviews supplemented the diary interview method. Some diary respondents did not want to participate in the one-on-one interviews; therefore some of the interviewed respondents did not participate in the diary interviews. The study relied on descriptive statistics from the previous Namibia Labour Force Surveys (NLFS), Population and Housing Census 2011; Namibia Housing and Income Expenditure Survey 2009/2010.

The fieldwork was done in the two most populated regions of Namibia, namely, Khomas (340,900) and Ohangwena regions (245,100). The Khomas region study took place in Windhoek, and this decision was aimed at reflecting the urban youth experience. Ohangwena region was chosen to focus on the rural youth experience. The researcher was interested in a comparison between the experiences of urban and rural youth.

This paper is organised as follows: section 2 is a discussion on the relevant literature on youth unemployment and major theories; section 3 provides the findings and interpretations and section 4 focuses on the discussion and concludes with recommendations.

2. Theoretical Framework

Youth joblessness implies missed opportunities in the use of human resources to produce goods and services (UNECA 2005), and a continuous dependency on families and friends (Gonzo and Plattner 2003). Gonzo and Plattner's (2003) study found that many of the street unemployed were young people who have never been employed in Windhoek. This, they argue, is an indicator that the Namibian economy and the formal employment sector are not growing fast enough to absorb the majority of Namibian school leavers (Gonzo and Plattner 2003). Other studies (Yates 2008; Haji 2007; Nazir et al. 2009) have shown that coping with unemployment is, to a large extent, related to class, gender, age, educational level, one's financial situation, and social networks. Furthermore, individuals are not isolated from their families and friends - which is the primary institution providing support and determining how young people experience unemployment (Çelik 2006). Using social networks to find a job has been widely recognised (Granovetter 1974; Schaefer-McDaniel 2004; UNECA 2005). In the social capital literature, success in labour markets is enhanced by the people one knows (Quinn and Seaman 2008). In this section, I make use of network-based theory of social capital to understand youth unemployment and their aspirations in Ohangwena and Khomas regions.

The theoretical debates about the concept of social capital largely centred on the contributions from Pierre Bourdieu, James Coleman, Robert Putnam and Nan Lin. Although they had different approaches to their ideas of social capital, their similarity was that social capital is about social relationships, connections and networks that benefit members of the social group.

2.1 Defining Social Capital

Bourdieu defines social capital as:

...the aggregate of the actual or potential resources which are linked to possessions of a durable network of more or less institutionalized relationships of mutual acquaintance and recognition – or in other words to membership of a group – which provides each of its members with the

backing of the collectivity-owned capital, a credential which entitles them to credit in the various senses of the work” (Bourdieu 1986).

He explains that people should not only have relationships with others, they must further understand how these networks operate and how one can maintain and utilize these relationships over time (Schaefer-McDaniel 2004). Conceptualizing it from a social structural perspective, Bourdieu’s interest was in understanding how people utilize social capital as well as how they work together to reproduce social inequalities. He argued that inequality is caused by the unequal access to and interaction of various kinds of capitals such as symbolic, cultural and social (Bourdieu 1986).

Coleman (1988) saw social capital as a resource within the family and in the community that can be drawn upon in advance and enhance education outcome. He defines social capital as:

...a variety of entities with two elements in common – they all consist of some aspect of social structures, and they facilitate certain actions of actors, whether persons or corporate actors – within the structure. Like other forms of capital, social capital is productive, making possible the achievement of certain ends that in its absence would not be possible (Coleman 1988).

For Coleman, functional social relationship of authority and of trust and norms embedded in a young person’s family and community organizations and the connections among them affects his or her development of human capital.

Putnam (1993) on the other hand attempted to explain social capital from a political perspective by focusing on democracy. He investigated the consequences of the decentralization reform and why the democratic process was more successful in other regions. His study found that what makes democracy work well has to do with differences in civil society whereby the higher the level of civic engagement, the better democracy works (Putnam 1993). His definition of social capital refers to the “features of social organizations such as trust, norms and networks that can improve the efficiency of society by facilitating coordinated action” (Putnam 1993).

Lin (1999) used two theoretical approaches to describe how the process of social capital is expected to produce returns. She refers to the approaches as accessed social capital and mobilised social capital. These two differ in a sense that accessed social capital is a process where social capital is conceived in terms of its capacity, and the expectation is that the richer the capacity the better the return. Lin (1999) points out that capacity means the pool of resources embedded in one’s social networks. Mobilised social capital is defined in terms of its actual use in production, whereby the expectation is that the stronger the capital used the better the return. Therefore, she defines social capital as resources embedded in a social structure which are accessed and/or mobilised in purposive actions (Lin 1999).

According to (Schaefer-McDaniel 2004) social capital, particularly among young people consists of three components: (1) social networks (sociability); (2) trust and reciprocity; and (3) sense of belonging/placement attachment. Combining these, it is noticeable that in social capital relationships, connections and networks matter.

2.2 Types of Unemployment

The neo-classical labour economics distinguishes between structural, cyclical and frictional unemployment. *Structural unemployment* is a product of the institutional set up of the economy, particularly tied to the demand and supply of labour (Campbell and Brue 1995). Structural unemployment is generally caused by structural factors such as the nature of the education system and its interface with the needs of the labour market. In the case of Namibia, unemployment is largely structural. According to Mwinga (2012) even during periods of high economic growth, employment opportunities do not increase fast, that is the employment intensity in Namibia is very low. *Frictional unemployment* reflects temporary unemployment spells as a result of job mobility. In every labour market there are workers changing jobs while others are leaving or entering the labour force. This type of unemployment is and does not pose much threat to an individual's welfare (Mwinga 2012). The third type is referred to as *cyclical unemployment*, which is tied to short-term economic fluctuations (Haji 2007). According to Mwinga (2012), it surfaces during the periods of economic depressions and disappears during booms. It differs from structural and frictional unemployment by being tied to short-term economic fluctuations. In addition to the three types mentioned above, there is also seasonal and disguised unemployment. *Seasonal unemployment* arises from seasonal variations - that is, certain industries only produce or provide services at certain times of the year. For instance, farmer workers may be fully employed during cultivation, planting and harvesting times but become unemployed during other periods. This type of unemployment is very common in Namibia due to weather conditions in the agriculture and fishing sectors. *Disguised unemployment* arises when a person appears to be employed but in actual fact is unemployed. Some refer to this kind of unemployment as pseudo employment whereby unemployment is concealed and not visible to the open eyes. This is where a worker is tied up in different lines of production than is necessary for producing a certain output, and thus maybe withdrawn without loss in output. These different types of employment are selected in order to understand and analyse the effects of unemployment at the individual level, as well as to understand how the youth deal with the problem of being unemployed.

2.3 Conceptualising and Defining Youth

The concept "youth" has different meanings depending on the context. It is often used as a statistical term for age category, specifically referring to those between the ages of 15-24 (United Nations category). Considering

young people as individuals within their societal context, this designation is often too narrow. The operational definition of youth differs widely from country to country, although generally, youth refers to a period of transition from childhood to adulthood. Most of these definitions depend on cultural, institutional and socio-political consideration, drawing attention to the fact that social categories such as youth are culturally and historically constructed (Thorsen 2007) and can change over time and from one social context to the next (Leavy and Smith 2010). Citing Hurrelman (1989), Mufune (2002) argues that a real definition of youth should not have fixed age limits but that youth should rather be seen as a phase of life in its own right with experiences that are a particular product of a given society's culture. Youth is a phase of life necessary for personal growth and societal placement made possible by social measures and necessitated by structural problems of a society (Mufune 2002). Spence (2005) also argues that the concept of youth has social as well as biological meaning. As they grow within a particular social context, young people occupy particular places within any given society. The experiences of being young and the meanings attached to 'youth' are derived directly from the social and economic positions occupied by young people as much as from their biological development (ibid). The International Labour Organization (ILO) argues that youth is the time of life full of promise, aspirations and energy (ILO 2010). That between childhood and adulthood is when men and women are most eager to strike out to secure their futures and to contribute to their families, communities and societies (ILO 2010). ILO further argues that youth is a stage of life which is crucial in determining paths to achieving employment and decent work (ibid).

Nevertheless, youth as a social group is defined in terms of age and many countries came up with their own age categories to define youth (UN 15-24, Namibia 16-35, Zambia 15-30, Swaziland 15-35). While 15 is the age at which children are permitted formally to enter the labour market in Namibia, this age is used as the lowest level for discussions on employment and unemployment and age 34 is used as the highest level for discussions on youth employment and unemployment. This is because most Namibian youth policies define the youth category as 15-34 years. Therefore, for the purpose of this study, defining youth as an age category will be young people aged 15-34 years. The terms *youth* and *young people* will be used interchangeably in this study.

2.4 Experiences of Unemployment

According to Jahoda (1982), the experience of unemployment is a complex process that varies across individuals. Studies (Çelik 2006; ILO 2012a; Jahoda 1982) have shown that the unemployment experience of youth is heterogeneous and is influenced by factors such as marital status, region, gender, educational level and family. Many researchers (Denu, Tekeste and Deijl 2005; Yates 2008; ILO 2010-2012) have asked the question - why are young people so disadvantaged in the labour market? Various answers to

this question have been suggested. They include: employers looking for skills and experience and regarding unskilled and inexperienced job seekers as a risky investment (National Treasury 2011). Lack of skills and knowledge about where to find jobs, attitudes of employers and labour regulations are some of the hurdles attributed to youth labour market disadvantages (ILO 2010; Denu, Tekeste and Deijl 2005). Many of them tend to drop out of school or leave school too early, be it voluntarily or involuntarily (ILO 2011), due to grade ten and grade twelve failure as in the case of Namibia (Mwiiya 2009) and others do so in the hope of finding work. This hope, however, is often in vain due to lack of skills and experiences (ILO 2011; Mwiiya 2009). According to the ILO (2011), young people's experience of school-to-work transition also affects youth unemployment. For instance, youth find it difficult to get a job due to a mismatch between school and the workplace and at the same time lack work experience, lack of job search skills and lack of mobility or career information (ILO 2011). Studies (Yates 2008; ILO 2011) have shown that changes in the labour market have made young people's transitions from school to work much more uncertain, insecure and unstable than was the case 30 years ago. As a result, more youth are becoming NEET (*Not in Employment, Education or Training*) as they attempt to negotiate this uncertainty (Yates 2008).

In Namibia, youth unemployment is especially exacerbated by the no-readmission policy that does not allow grades 10 and 12 failures to repeat grades through the fulltime mode, with the exception of those younger than 16 years old. This means that learners over the age of 17 years who fail grade 10 or 12 should look for alternative educational institutions if they want to continue with their secondary education. However, these educational institutions are often too expensive for their families to afford; as a result, many youth tend to drop out of school at this level and join the ranks of the unemployed people. The 2008 NLFS shows that Namibia's human resource development lags behind with 13 per cent of the population, six years and above having no education, while 45 per cent and 1 per cent completed primary and university education, respectively (Kanyenze and Lapeyre 2012). To some extent, the education policy of no repeat for grades 10 and 12 contributes to the country lagging behind in its human resources development.

2.5 Aspirations and Attitudes towards Finding a Job

Every person young or old aspires to do something for themselves. This aspiration could be the kind of work they want to do, studying for a certain profession or doing any other activities. Some of these aspirations, such as work, are hindered by the lack of access to the labour market, whereas others are hindered as a result of the social networks available to an individual. According to Quinn and Seaman (2008), aspirations are characterised as changing over time and being shaped by experience of education and the labour market and also shared experiences within social

networks. At the same time, these aspirations meant different things to different people. However, as things change, these aspirations are likely to change in the light of new experiences, choices and information. Studies (Schoon and Parsons 2002; Lowe and Krahn 2000) have shown that aspirations begin to be shaped early in a child's life but are modified by experiences and the environment. Belief in one's own capabilities is an important part of inspirational development. Young people who believe they have the ability to achieve and who attribute their success to hard work rather than luck or fate have higher aspirations than their peers, and thus are likely to have positive attitudes towards finding a job (Schoon and Parsons 2002). Lowe and Krahn's (2000) comparative study of two Canadian youth cohorts on work aspirations and attitudes in an era of labour market restructuring found that despite major transformations in the labour market, there is continuity in high school leavers' work attitudes while occupational aspirations have risen.

Although few studies investigate changes in occupational aspirations and work attitudes, Lowe and Krahn (2000) maintain that attitude changes occur among youth during the school-to-work transition, and that individuals decrease their occupational aspirations when exposed to the realities of the work world. The transition from school to work is characterised by high levels of movement in and out of jobs. Many young people try different labour market experiences and revise their plans as their level of knowledge increases. According to Lowe and Krahn (2000), there are studies that found high occupational aspirations among youth even in difficult economic times. These occupational aspirations, they argued, are scaled down as young people gain experience in the labour market (*ibid*). However, further research on unemployed out of school youth showed that the direct experience of labour market difficulties can often undermine work commitment and reduce aspirations (Lowe and Krahn 2000). Quinn and Seaman (2008) pointed out that poor or no educational qualifications combined with an absence of accessible opportunity or negative work experience can diminish even modest aspirations.

2.6 Social Support

Studies (Çelik 2006) have shown that the family is regarded as the key support system for unemployed youth. When a family has financial difficulties, close relations and social networks can be very important sources of support for the unemployed (Chen, Gu and Wo 2006; Çelik 2006). When facing stressful situations, individuals use multiple coping styles and resources (Lorenzini and Guigni 2010). Quoting Thoits (1995), Lorenzini and Guigni (2010) define social support as the functions performed for the individuals by significant others such as family, friends and co-workers. Research has shown that social support is an essential aspect of the coping process during periods of unemployment and the unemployed persons who receive some kind of social support are said to

handle their unemployment experience better than those with no social support (Water and Moore, 2002; Çelik 2006; Jahoda, Lazarsfeld and Ziesel 1972).

How people cope with unemployment varies from person to person. Most of the literature on coping with unemployment is more from a psychological perspective, which demonstrates that unemployment has negative consequences, particularly on the unemployed person. On the other hand, some literature reveals that the unemployed appear to cope fairly well with many aspects of unemployment (Axelsson et al. 2007; Jahoda, Lazarsfeld and Ziesel 1972). Fryer and Fagan (1993) further argue that an analysis of the nature and extent of coping or not coping with unemployment involves not merely individual behaviour and/or attitudes but the whole individual/labour market nexus. Lorenzini and Guigni (2010) argue that coping styles are different approaches towards the resolution of one's problems and that with coping resources which could be personal or social, one can find self-esteem, the feeling of mastery over one's life and social support. Fryer and Fagan (1993) point out that to "investigate coping with unemployment" requires the researcher to understand how the world is perceived by the copier, with what the copier is attempting to cope, and how the copier's beliefs, intentions, perceived interests and values relate to his/her behaviour". Fryer and Fagan (1993) argued that maintaining a high level of employment commitment and vigorous job search can be an effective way of coping with unemployment if vigorous job search increases chances of (re)employment, that is if re-employment reduces risk of distress. On the other hand, the vigorous job search can be a counterproductive way of coping if the search is unsuccessful in leading to employment since those unemployed with the highest level of employment commitment are not at risk of the highest levels of distress (ibid). The success or failure of job search depends to a great extent not on the individual but on labour market factors. For example, the chances that job search will lead to re-employment can be much greater for workers in one labour market niche than in another (ibid). Coping and failing to cope with unemployment go on simultaneously, interactively and iteratively at the individual, social, family, organizational and community level (Fryer and Fagan 1993). According to Hammer (2000), one's ability to cope with a situation is linked with having close contact with family or friends and thus could decrease mental health problems and prevent social exclusion.

Studies (Green et al. 2011; Çelik 2006; Granovetter 1973) on job-search methods used by job seekers indicate that asking friends, relatives and acquaintances for information regarding job opportunities is a common and useful practice. However, the quality of an individual's social network is more important than the number of contacts and the type of social networks available and the intensity with which contacts are used (Green et al. 2011). Granovetter's (1973) theory on the strength of weak ties is influential to the work on social networks and their relationship to job search and access to employment. His theory asserts that a person's acquaintances (weak ties)

are less likely to be linked socially to one another, whereas their family and close friends (strong ties) are more likely to know each other and form a close-knit group. But since acquaintances are likely to have their own separate friends and social circles, they can act as bridges to other groups and provide a greater volume and range of information that would not be available through close friends (Green et al. 2011).

2.7 Namibia Labour Market and Youth Unemployment

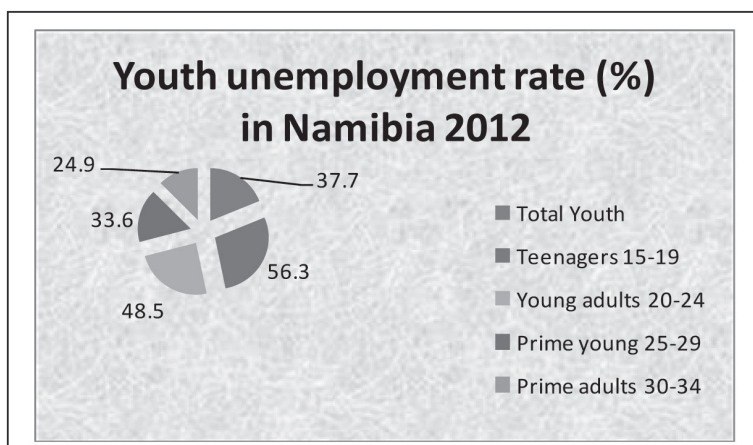
Namibia's labour market is a complex one, characterised by two sectors which offer formal and informal employment. The International Labour Organization defines informal employment as the total number of informal jobs, whether carried out in formal sector enterprises, informal sector enterprises or household (ILO 2002). Formal employment is characterised by regulated competitive markets and encompasses jobs with regular wage and is recognised as income sources on which income tax is paid and that workers are assured of their labour rights (ILO 2002). Mwinga (2012) argues that Namibia's persistent high unemployment is often attributed to an underperforming of the formal sector, as well as the inability of the unemployed to enter formal labour markets. Dualistic labour markets like Namibia's means that workers move from formal to informal employment for different reasons. As Mwinga (2012) stated, in the event of negative economic shocks that lead to retrenchments, relatively few workers become unemployed in labour markets such as Namibia's. Instead, the bulk of the retrenched workers simply take refuge in lower-paying insecure jobs in the informal sector (ibid).

In Namibia, between 1991 and 2011, GDP growth has averaged between 4 per cent and 5 per cent, thus experiencing jobless growth and resulting in the continuous rise of unemployment (Nghikembua 2012). This argument points out that the rate of growth in GDP has not been sufficient enough to create permanent jobs in the formal sector to reverse the upward trend in unemployment in the country (Nghikembua 2012). At the same time employment created through the informal sector is not easy to measure due to its characteristics, scope and size. People who are employed in backyard shebeens, garages or any other employment activities do not always regard such activities as employment.

Namibia uses two definitions of unemployment, namely, the broad and strict definition. Both definitions are consistent with the international principles of the labour force framework, which include people aged 15 years or older and who are not employed but are available for work. The **Broad definition** includes people without work; people available for work; people actively looking and not looking for work during the reference period. In other words, the broad definition includes discouraged unemployed persons who no longer go out to actively seek work. The **Strict definition** on the other hand includes people without work; available for work and actively looking for work during the reference period. Work is understood as productive activity for an hour or more a week, resulting in a

stream of income. Unemployment figures calculated using the strict definition is lower than those figures calculated using the broad definition. According to the 2012 NLFS, the unemployment rate (Broad definition) stands at 27.4 per cent (NSA 2012a). This is a huge difference compared to the 2008 unemployment rate of 51.2 per cent. The NLFS report justified the substantial decrease of unemployment rate partly due to “improved methodology that resulted in the better capture of categories of employed people other than paid employees” (NSA 2012a). The survey further shows that almost 38 per cent of the unemployed are young people between the ages of 15 and 34 years and 43.7 per cent of the unemployed youth are female. Some 44.4 per cent of the unemployed are rural youth while 41.7 per cent of the unemployed are urban youth aged 15-29 years. These figures are most likely to be higher if the underemployed were also taken into consideration. There is little data on underemployment and the attempt by the NLFS to quantify underemployment is quite vague. The survey defines **underemployed persons** as consisting of all persons in paid or self-employment; whether at work or not at work; involuntarily working less than the normal duration of work determined for the activity; who were seeking or were available for additional work during the reference period (NSA 2008). This definition does not establish whether someone is underpaid or doing precarious work. In addition, it is unclear whether those who work part-time or work less than 35 hours per week but are ‘well-remunerated’ should be considered underemployed.

Unemployment in Namibia is a youth phenomenon. This has not changed for the past 14 years. Observing from the graph presented below, the data indicates that youth unemployment rate in Namibia seems to increase, although there was a decrease between 2000 and 2004. It increased again for 2008, perhaps in line with the continuous increase of the national unemployment rate. However, in 2012 the figures decreased dramatically, a difference of 23.8. The graph further indicates that unemployment disproportionately affects Namibia’s youth. Comparing age groups, teenagers (15-19) were more likely to be unemployed in all the years, while the prime adults (30-34) are the least unemployed.



SOURCE: Namibia Labour Force Survey 2012

The 2008 NLFS indicates youth unemployment among teenagers is at its highest ever in Namibia, almost 84 per cent. Although the 2012 data shows a lower percentage of unemployed youth, the current total rate of 38 per cent can also not be ignored. High youth unemployment rates discourage young people from looking for work and those who are not prepared to give up face long periods of job search (ILO 2012a). Gonzo and Plattner (2003) study found that many of the street unemployed were young people who have never been employed in Windhoek. This, they argue is an indicator that the Namibian economy and the formal employment sector are not growing fast enough to absorb the majority of Namibian school leavers (Gonzo and Plattner 2003). Education and training are essential for young people to enter the labour market (ILO 2012a).

3. Findings and Interpretations

3.1 Socio-Demographic

A total of 18 (9 from each region) young people from the two regions participated in the one-on-one semi-structured interviews. Khomas had 2 female and 7 male respondents. Khomas females were more reluctant to participate in the study compared to their male counterparts. Ohangwena on the other hand had 5 female and 4 male respondents. For Khomas, the respondents' ages ranged between ages 17-19, ages 20-22 and ages 32-34. The respondents' ages for Ohangwena ranged between ages 20-24 and ages 27-34. All Khomas respondents completed upper secondary school, grade 10-12. Those who did not complete their schooling all cited lack of finance as the reason for not continuing with their education. The majority of the Ohangwena respondents did not have secondary education, with only 3 having completed grade 12. Those that had grades 8 and 10 were one for each grade and the rest had completed either grade 5, 6 or 7, respectively. Ohangwena respondents indicated that they stopped school because of

pregnancy, lack of finance, bad treatment from teachers, and one said he was sent to a cattle post. Those who were in grade 10 and 12 cited failing as one of the main reason for stopping their schooling. Six of the Khomas respondents interviewed received some kind of training after school and the other three had never received any training since leaving school. Most of the Ohangwena youth received training when they left school. For both regions the type of training received was mainly vocational training, i.e. brick-making, cooking, construction, sewing and beadwork.

As for the diary research participants, only 19 respondents submitted their diaries although the researcher distributed 40 diaries, 20 for each region. Out of those that were submitted, 12 were from Ohangwena region and only 7 from Khomas. The number is lower in Khomas because most young people from Khomas were very reluctant to participate in the study, despite being offered an incentive for their time. Ohangwena had an equal number of male and female participants, whereas Khomas had 5 females and 2 males participating in the diary research method. The ages of the participants varied between ages 19-34 years, with Ohangwena having most of the younger participants aged as follows - two aged 19 years, one aged 20 years, two aged 21 and 22 years, those aged between 27-34 years were one each. Khomas participants were more of the older youth, three were 22 years old and the rest were 34 years old. All participants spent between 6 months and 15 years without a job; however, they had done some of *ad hoc* work.

3.2 Job Search and Duration of Unemployment

Even though unemployment duration varied between the two regions, the duration of unemployment ranged between 6 months and 15 years among all respondents. Those from Ohangwena seem to have been without a job longer than those from Khomas. For instance, one respondent in Ohangwena had been without a job for 15 years, another for 11 years and another for 10 years. The rest have been without jobs from 2 to 4 years. Khomas region on the other hand had the longest respondent without a job for 8 years. One respondent was jobless for 3 years and another for 2 years. The rest had been without a job between 6 and 12 months. This can be attributed to the fact that Khomas region and the capital city of Windhoek have more job opportunities than Ohangwena region.

Unemployment duration for the diary respondents is not much different from those interviewed. Although overall the results showed that rural youth were unemployed longer, there were many urban youth who wrote in their diaries that they were unemployed for much longer periods than what the rural youth wrote in their diaries. Young people were concerned with the extended period of their unemployment and were worried that the prolonged period of job search would make it difficult for them to get jobs eventually.

The job search patterns for the diary respondents did not differ much between the urban and rural youth. They all indicated that although they went out in search of work they tended to do it in intervals. At the same time they combined the job search days with other activities such as household chores, visiting relatives, friends and napping.

A high number of the respondents also spoke about the difficulties they faced in their job search. Diary respondents wrote about lack of transport money, lack of money to post application forms, as well as lack of money to buy newspapers where they could look for vacancies. A majority of the respondents also indicated that people were rude and often unhelpful to the unemployed youth, when the youth approached them in various workstations. There were respondents who were concerned about language, as they felt intimidated when approaching employment places as they cannot speak English or Afrikaans well.

Twenty-nine of the 37 respondents focused on their level of education and lack of experience as obstacles in their job search: "Because I have no experience, no one wants to give me a job," (Khomas resp2, 32 year old male).

As a result, respondents who have been unemployed longer seem willing to accept any type of job compared to those with short-term unemployment.

3.2.1 Strategies and Type of Job Search

Respondents indicated that job searching is a demanding task on its own. It involves different activities and strategies which often depend on the type of job respondents are interested in. Job seeking requires these young people to walk from office to office enquiring about vacancies, completing many application forms, going to Regional Councillors' offices; direct applications to employers; asking friends and relatives who may be in a position to know about job openings as well as contacting youth offices. At the same time the frustration of waiting for a response from employers that never comes was visible for 5 of the interviewed respondents. The rejections seem to put more strain on the respondents' job search activities and in some cases make them doubt whether they will ever get a job.

I looked for a job about 5 times this year; I worked for Fatima plastics in 2006, and I left because the boss left. They got a new one but he never called us back. I keep applying for jobs or going to places where I hear they are recruiting but every time they tell you they are full or not hiring anymore. You ask yourself what type of bad luck is this, and will I ever be the lucky one (Ohangwena resp9, 34 year old male).

I have applied for a job may be 10 times this year. I have never been called for an interview and it makes me so angry and sad because I wonder how they can always say no to me when other people without grade 10 like me get jobs (Khomas resp4, 17 year old female).

The type of jobs sought differs between the two regions. For Ohangwena, respondents mostly looked for jobs in retail, construction or domestic work including working in people's Mahangu (millet) fields. Khomas youth on the other hand tend to aim for office work, jobs in Government, Police or Defence Force. The difference in the jobs sought can be attributed to the different labour markets of the two regions. Khomas is likely to have a more formal job market considering that it houses Windhoek, the capital city. In Ohangwena region, formal jobs are very limited. What is likely available are informal jobs and jobs with retailers.

In addition, the type of jobs applied for depends on the education level of the respondents. Those with lower education level tend to focus on jobs that do not require skills or qualifications such as domestic work or garbage collection. Those with secondary education tend to focus on 'office jobs' such as secretary, shop assistant and clerical work. Ohangwena has more respondents who have never been called for interviews compared to Windhoek. Those who have been called for interviews said they did not receive any feedback. Both rural and urban respondents pointed out that with repeated rejections, the optimism of finding a job begins to fade and is replaced by self-doubt.

Nghe ndadile mofiko monodo 6, inandimona nande iilonga taikalele, ineikutwa too nande ngeno kutya ilonga ei oyalushe, nghe ndadalelwe. Ofikola ondeifyapo eshi ndina edula 15, edula 12 years dapita paife. ondamonene ngoo o training yo matungo mo 2004/2005 osho yo otraining yokuteleka mo 2011. Ngaashi nee haikulu ngaha ohandimono ngoo ilonga mbela, pamwe ngo.

[Since I left school in grade 6, I was never employed permanently. I never had a job in my life. I left school when I was 15 years old; that was 12 years ago. I received some training in construction between 2004/2005, and in cooking in 2011. Now as I get older, will I ever get a job? Well, maybe.] (Ohangwena resp1, 27 year old female).

When it comes to work preferences, a third of the respondents in Ohangwena region focused on informal types of work and working for the Government. Khomas respondents on the other hand focused on the private sector and parastatals. The government and public sector jobs are understood to have regular wages, security and better benefits. Education, Defence, Police and Government are the most preferred sectors by most respondents. Jobs in these sectors are more valued because they are said to be guaranteed and respected.

3.2.2 Type of Work (Paid, Full Time or Part Time)

It seems most of the youth find themselves involved in precarious work that pays money or in kind. Only 4 out of 9 Ohangwena respondents indicated that they have had paid work before. In Khomas, the number was even less, with only 2 respondents having had paid work according to the diaries. Most of the respondents interviewed have never had paid work and the few

that had paid work were employed as casual or part-time workers. Being in precarious work further limits young people's opportunities to access education and training, thus making it less likely for them to find better paid work.

Previously employed respondents were asked why they stopped working. The responses included being fired, working temporarily and relocating. Overall young people stopped work either because the company closed down or the work was of a temporary nature. Many of the diary respondents never worked and those who worked indicated that they were kindergarten teachers, or worked in shops or in construction. This was the case for both Khomas and Ohangwena respondents. The wage or salary for those who had jobs differed between rural and urban areas. Ohangwena respondents earned N\$280 (at US\$1 = N\$ 9.9 rate) for three days work. The highest salary was N\$900 per month for one respondent who worked in a mini-market. The rest earned between N\$250-N\$400 a month with the exception of one respondent who was paid in-kind and sometimes earned as little as N\$10-N\$20 for being a messenger or for the specific task performed. Such tasks included being sent to fetch water and delivering things such as parcels. Some Khomas respondents indicated that they earned N\$2400 per month. One earned N\$1500 and the rest were between N\$500 and N\$1200 per month. This huge regional difference can be attributed to the fact that the living standard in Windhoek is much higher than in rural Ohangwena. Furthermore, the type of work also differed with many of the Ohangwena youth having worked in shops and domestic work whilst Windhoek youth had been employed as mechanics or clerical work.

3.2.3 Obstacles to Finding a Job

Experience and skills are the major factors preventing respondents from finding a job. Others felt that language skills, low education level and alcohol abuse are among factors hindering youth from finding jobs. These results indicate that although young people acknowledged their lack of education and experience as an obstacle to them in finding a job, both Khomas and Ohangwena youth emphasised alcohol abuse as among the major obstacles.

Respondents were asked to give reasons for not searching for a job. About 8 respondents felt they no longer searched for a job as they thought it was no use looking for a job when many of the young people are unemployed. Others found comfort in alcohol instead, saying that it makes them forget about their unemployment. The general consensus was that there are no jobs available, others felt that due to their low level of education finding a job is *mission impossible* whereas some felt that due to nepotism in the recruiting process, they do not stand a chance of finding a job.

When asked about the kind of training that is most useful in finding a job, many of the respondents felt that computer skills and vocational training would help them get a job. Others felt improving their grade 12 or getting a

tertiary education is likely to increase their chances. Some respondents from Ohangwena felt that training in retail would help them get jobs. Khomas respondents indicated that acquiring tertiary education would help. 18 of the 37 respondents viewed vocational skills training as one of the most useful skills required in finding a job.

Ohangwena respondents focused on 'good behaviour' as a useful quality in finding a good job. Some respondents stated that being respectful, well-mannered and having an ability to work with different people is useful in finding a job. Khomas respondents focused on experience, integrity and qualification such as degrees as being the most useful qualities in finding a job.

There is a general recognition that education and training can lead to better job prospects and a 'good pay'. When asked what level of education or training a person needs in order to get a decent job, most respondents vary in their responses. Some said grade 12 whereas others said at least a degree or diploma from a tertiary institution. Ohangwena respondents focused on grade 12 whereas those from Khomas indicated tertiary education. Respondents were asked whether they think they have enough skills or education needed to find a job. Half of the respondents felt they had enough skills and education whereas the other half felt they did not have enough education or skills. Most of the respondents indicated a willingness to pursue further training or studies especially at high education institutions.

As part of their job search activities, respondents were asked whether they had registered at any of the employment agencies (such as the Ministry of Youth or Ministry of Labour, etc.). None of the Khomas youth registered with employment or youth agencies. Some felt that the employment agencies were disorganised. Ohangwena youth mostly registered at the office of the Regional Councillor; however, they pointed out that there is hardly any feedback from these offices.

When it comes to enquiring about a job, respondents contacted different people from family members and friends, to neighbours as well as people at job places. Diary respondents indicated that almost on a daily basis they talked to someone regarding employment. One respondent narrated how she walked every day to Oshikango to ask about possible recruitment at the soon-to-open Mr Price.

Nena ondaya pofitola ya Mr Price tai nangala moshikango, day 3; ondakwatafana nena na kaume wange along Big dad ko shikango ndati natalelenga kutya Mr Price otapatuluka naini.

[Today I went to Mr Price, which is about to open in Oshikango, (day 3); I made contact with one of my friends along Big Daddy in Oshikango asking them to enquire about when the opening date of Mr Price will be] (Ohangwena diary 4 excerpt 24 year old female).

Some go as far as other towns in other parts of the country enquiring about employment possibilities.

When respondents interact with their fellow unemployed youth, they mostly talk about their unemployment situation and what to do to overcome the situation. Young people also seem to encourage each other. For both Khomas and Ohangwena youths, social networks seem to play as a very important source of support for the unemployed youths.

Respondents were asked about their other activities while job searching.

I help my mother with dress making and household chores (Khomas resp5, 19 year old male).

Ohandikala handikongo eshi andimonopo nokulandifa iifruits.

[I'm always looking for what I can do to get something and sometimes I sell fruits from our garden] (Ohangwena resp6, 24 year old female).

I help and volunteer at the community centre (Ohangwena resp8, 34 year old male).

It appears that young people do not sit idle but find other activities to keep them busy during their unemployment. For some youth, particularly those from urban areas, being unemployed seems to be a time for leisure where they would “*drink and play video games*”.

How young people spend their time also differs in terms of gender. Female youth spend most of their time doing household chores whereas the males spend their time outside the household. Most of the male respondents seem to spend time walking around different areas in search of work.

The researcher posed a question as to how the unemployed youth plan to deal with their joblessness. Many of them vowed to continue in their job search or find other activities to do such as going back to school: “Study, graduate and then put in my master plan into action, and in the meantime I will get support from my family” (Khomas resp8, 20 year old male).

3.2.4 Attitudes towards Finding a Job

When a person starts looking for a job, it is often difficult to know how long they will be looking for a job and also what type of work they are likely to end up with. The youth indicated that they are often optimistic in finding work and thus put in effort to get a job. As time goes by, with no prospect of finding a job, many of them develop a pessimistic attitude. The youth also have a negative attitude towards certain types of work such as working in bars or domestic work. This type of attitude is mostly among respondents with upper secondary education. Respondents with low or no education are prepared to take any type of job. The majority of the respondents have never refused a job offering. Two respondents from Ohangwena indicated that they did not want to work in bars or housework and have refused such job offers. Other respondents pointed out that they

never had a chance to refuse as no one has ever offered them a job. "I have never refused a job offer because I have not received a job offer before" (Khomas resp8, 20 year old male).

It seems that due to the desperate situation in which unemployed youth find themselves, the majority of these young people are ready to accept any job just to earn an income although the job may be unfulfilling. When asked about the wage or salary they would expect to earn these young people seem to be willing to accept any wage/salary, even as low as N\$400 per month. Khomas respondents on the other hand have high salary/wage expectations of N\$600 to N\$5000. Some said they expect any amount as long as they are earning something. "I will accept anything; I am desperate" (Khomas resp3, 19 year old male).

Khomas respondents expected high salaries or wages and this can be attributed to the high living standards in the city compared to rural Ohangwena. Although respondents indicated that they are willing to do any kind of work, many of them were still selective in the kind of job they would accept.

When asked about their willingness to relocate for a job, the majority of the respondents indicated that they would relocate to other parts of the country in search of a job. "Where there is a job, distance does not matter as long as one is earning an income" (Ohangwena resp9, 34 year old male). However, not all respondents are willing to relocate for a job search.

Most rural youth were more confident in finding a good job compared to urban youth.

I am not that confident because too many people want the same thing that I want (Khomas resp8, 20 year old male).

Yes I am confident and I hope komesho [in the future] I will get a job (Ohangwena resp1, 27 year old female).

One would have expected the urban youth to be more confident in finding a good job, considering that usually urban areas have better job opportunities than rural areas. Some respondents were sceptical of whether they will find a good job, fearing competition in the job market.

3.2.5 Importance of Having a Job

According to the youth, having a job is important in starting their lives. Others emphasised that it is important to have a job in order to support the family, have a better life and be financially secure.

To be financially secure, help others, to build a life (Khomas resp3, 19 year old male).

Okukala una onghalamwenyo ili nawa [to have a better life and to help parents and family,] *noku humifa o community komesho* [and to improve the community]. *Otashi udifange etumba* [pride] *neenghono eshi ndina*

oilonga shaashi otandi dulu oku kwafela ovanhu vahapu vo tava fimanekenge, etandi vape omayele mawa [it will make me very proud to have a job because I can help many people and then they will respect me; I can also advise them well] (Ohangwena resp7, 21 year old male).

These responses indicate that having a job is important for the young people as being without one affects fundamental aspects of one's life, including their role as members of their respective families and communities.

3.3 Aspirations and the Labour Market

Respondents reveal their aspirations as well as their important goals in life. All respondents indicated that they were eager to work, and most of them said they would do anything to get a job although that job is not what they aspired to or envisioned.

When I was small I wanted to become a lawyer. I thought because I talk too much I can be a good lawyer, but then I failed grade 10, then I went to Namcol. I passed some subjects. I wanted to do grade 12 as well at Namcol but I didn't have money. Now I want any work; I don't think I will be a lawyer anymore, it is too late now. I think I want to work in NDF or Police or even as a cleaner in Government (Khomas resp6, 24 year old female).

The majority of diary respondents wrote they would take any kind of work available to them. All respondents indicated that they do not wish to remain unemployed and thus when it comes to job opportunities, they would take it. Although respondents' occupational aspirations have changed from the time when they were younger or in school, it seems the desire to have a secure job has not changed. Most respondents showed some kind of awareness of their educational limitations as a major influencing factor on their work aspirations and expectations.

The most significant aspect of youth unemployment is the willingness of these young people to take jobs available in the informal sectors. The majority of them start looking for jobs in these sectors if their education levels are lower or when they have been unemployed for a long period.

Many respondents looked at public work as professions that are more aspired to. Ohangwena youth focused on jobs as teachers, pastors, police, municipality, and business people whereas Khomas respondents focused on jobs as doctors, lawyers, accountants and engineers as the most appreciated professions. One can attribute this to the type of jobs the respondents are more exposed to in the two different regions. In Windhoek for instance, professions such as lawyers, accountants or engineers are more visible compared to rural areas such as Ohangwena.

Respondents were further asked to talk about their goals in life. For many youths, their goals were to find a job, get married, assist parents, further their education and pursue their own businesses. Some young people spoke

about bettering their communities, whereas others said their goal is to get rich.

For me it is marriage and to have a job. My goal is to become a teacher (Ohangwena resp4, 24 year old male).

To be perceived as one or part of the solutions to the high unemployment rate among the youth in Namibia (Khomas resp2, 32 year old male).

Okulongela tate na meme nounona wange [to assist my parents] (Ohangwena resp1, 27 year old female).

Work is an important part of our lives and for many of these young people finding a job is not just for their personal gain but they see it as a way of being part of the community and contributing to the well-being of that community. Jahoda (1982) highlights the importance of the latent functions of “modern forms of employment” beyond its manifest function of producing income, relating these functions to life-structure and ties with the community. She further argues that employment provides an enforced pattern of activity and gives people a clear time structure for the day. It is a source of social contacts outside the household, which gives people a sense of participation in a wider collective purpose. It is also a source of social status and identity (ibid). For many young people, what is important to them is work and belongingness.

3.4 Social Support

Almost all participants indicated that they get support from friends or families. However the type of support varies depending on the needs of the unemployed youth.

I look for my own job to do, like making bricks and then I get something. My dad used to give me some money when he got his pension but now he has passed away. I can also approach my maternal uncle for help. I can also ask my brother for monetary help (Ohangwena resp4, 24 year old male).

Some youth felt ashamed for depending on their families rather than providing for themselves. “I get help from my family like shelter and money; it makes me feel less of a man as I’m supposed to be on my own,” (Khomas resp7, 21 year old male).

One respondent from Khomas felt he was entitled to this kind of support. “My family, they help me because it’s normal: families are supposed to help each other,” (Khomas resp8, 20 year old male).

Twenty-nine out of the 37 participants indicated that parents offered the most support. This means that most of the respondents rely on their relatives, neighbours and close friends as a source of strength, support and job referral resources. This support includes providing financial assistance and material support. It also includes talking to someone who can offer help in looking for a job. Respondents found that asking for money or even food is never easy. Others said they were undermined by family and friends,

whereby they were called lazy and accused of not trying hard enough to find a job. This type of undermining can be damaging and discouraging for unemployed youth.

Most of the respondents live with either their parents or close relatives. Older or married youth said they were somehow uncomfortable with living with their parents.

Oshili oshilengifa ndifike apa ndele ohandidi novakulunu vange [Truly it is shameful that at my age I am still living with my parents] (Ohangwena resp9, 34 year old male).

This means that young people are forced to stay longer at home with their parents due to their unemployment. The number of people within a household ranged between 3-12 people in Ohangwena and 2-9 people in Khomas. The majority of the respondents indicated that there is at least one member of the household with a wage or salary. Only three respondents indicated that they do not have anyone with a wage or salary.

Total household income is one of the most important factors affecting how unemployment is experienced. For instance, with the support from their families young people can receive pocket money, shelter, food and health needs, which can make coping with unemployment bearable.

One respondent in Ohangwena estimated the household income per month to be around N\$300, two respondents indicated N\$1,400 to N\$1,600 (US\$1 = N\$9.9). The highest household income in the region was estimated to be N\$6,000. The rest of the respondents did not know their household income. Khomas on the other hand had income of N\$2,500 per month, said two of the respondents. One respondent estimated an income of N\$8,000, another estimated N\$20,000 and the rest estimated the monthly household income at N\$40,000 and N\$60,000, respectively.

3.5 Economic Activities

In the interviews, respondents spoke about their financial fears, strain and ways of survival. Respondents also discussed their main source of income and other employment activities.

When asked about where they get most of their money from, besides what they get from relatives or friends, most respondents reported having some kind of ad hoc work such as being sent around, selling indigenous fruits like *eembe*, washing and ironing for people when requested, and braiding hair.

Ohandimono ngoo okamaliwa ngeenge nda kosha ile ndakangula oinima yovanu, efimbo lime ohandi landifa oikuni [I get a bit of money from washing and selling firewood] (Ohangwena resp1, 27 year old female).

I get from mother but sometimes do odd jobs like washing and ironing for other people (Khomas resp4, 17 year old female).

In other words, these young people are involved in some kind of informal work. The Namibia Labour Force Surveys defines employment in terms of formal and informal employment. By this definition, ad hoc work would be considered informal employment. In this study, the respondents do not agree with this definition, many who had informal employment or did ad hoc work considered themselves unemployed. This raises the question of what is “real youth employment” and what is “statistical youth employment”, because many of the unemployed youth regard doing ad hoc work or working in the informal sector as an attempt to survive. It seems informal employment is an important way of providing unemployed youth with an income for basics such as food and clothing. Other participants rely on their parents to give them money for basic necessities.

Respondents were asked to talk about how financially secure they feel. A number of participants reported that they did not have financial security because they were not earning a salary. Lack of finances caused worry and fear of the future for most respondents. Some spoke about depression and low self-esteem. “Ame ondili pondodo iheli nawa,” [I’m in a depressed situation because I’m struggling] (Ohangwena resp3, 20 year old female).

Two Khomas respondents said they were ok while their parents are alive. Respondents were also asked to use a single word to describe their current financial situation:

Ehenasha [empty] (Ohangwena resp1, 27 year old female);

Oluhepo [poverty] (Ohangwena resp6, 24 year old female);

Ondashota [broke] (Ohangwena resp9, 34 year old male);

Insecure (Khomas resp2, 32 year old male);

Difficult (Khomas resp3, 19 year old male);

Crisis (Khomas resp6, 22 year old male);

Average (Khomas resp8, 20 year old male);

These are some of the terms used by most of the respondents describing their financial situation. There was only one respondent from Khomas who described his situation as average. During the discussion, the respondent mentioned that his parents were well-off and usually gave him ‘good pocket money’. Describing their experience of unemployment, many of the respondents had a feeling of despair and financial anxiety. Many of the unemployed youth felt they wanted to help with the development of their society but because of the situation they were in, they could not.

He/she who is not able to earn any income at all or any sort of remuneration (Khomas resp6, 22 year old male).

When asked to define an employed person, the majority of the youths' definition included someone who works for someone on a permanent basis, goes to work every day and gets a salary at the end of the month.

A person who makes an income by working for it (Khomas resp8, 20 year old male).

Someone who works for someone, work is in a permanent job (Ohangwena resp1, 27 year old female).

One who says it's almost month end and expects his salary at the end of the month, or a business that makes a profit (Ohangwena resp4, 24 year old male).

These definitions focused on those who work for someone. Self-employment did not appear much in the definitions of an employed person, and in some instances even those who did some sporadic work were regarded as unemployed. The emphasis for many young people was that for one to be employed, he must be in a permanent job. These definitions differ from that of the Namibia Labour Force Survey, in that the survey defines an employed person as one who has worked for at least one hour on any economic activity within the reference period of seven days prior to the interview or was temporarily away from work but would return (NSA 2008). From the respondents' perspective, this definition is far from what they regard as an employed person.

3.6.2 Reasons for High Youth Unemployment

Respondents gave their accounts of what they think are reasons for high unemployment among young people. Reasons identified by the youth ranged from dropping out of school to teenage pregnancy, lack of job opportunities, lack of experience, and alcohol abuse.

I think many young people are unemployed because there is not a lot of job opportunities. *Ngaashi ashike mohangwena omu, ovanyasha vahapu oavadopa, ndele vo ihava twikile elongo lopombada ngaashi kee unam na poly* [Sometimes it starts at school like in Ohangwena, a lot of youth fail and don't continue with their education at high institutions like UNAM and Polytechnic] (Ohangwena resp7, 21 year old male).

Job opportunities are very scarce and besides many are not well qualified or they don't have experience that is always asked (Khomas resp6, 22 year old male).

When I think of it maybe it is because there is no work. I can't say it's *onyalo* (laziness). I think jobs are not enough for all Namibians. *Kapena oilonga* [there are no jobs]. Youth are looking for jobs but there are no job opportunities. I don't know why there are no opportunities or not enough opportunities (Ohangwena resp9, 34 year old male).

Oshinima shimwe elongo, aagundjuka yamwe moshitopolwa shetu inaya longwa na yamwe oya yile ngaa kosikola ihe inaya pita nawa yavule okumona iilonga. Moshitopolwa shetu kamu na nande okapoloyeka kasha andola ka ningilwe nande aagudjuka ya kale nande ohaya kunu iikwamboga yo taya landitha ya monemo sha. Oshinima ngaashi etunda. [One thing is education, some of the youth in our region are not educated, some went to school but they did not pass well to get jobs. In our region there are no projects targeting youth, for example, where they can plant vegetable for them to sell to earn something small, something like etunda] (Ohangwena diary10 excerpt, 28 year old female).

Some isolated accounts indicated that jobs are given to foreigners and family members of those who recruit. Respondents in Ohangwena also linked the reasons of unemployment to the lack of 'development in the regions as well as lack of Government intervention in creating employment. Some respondents blamed themselves for being unemployed, saying that they often get jobs but due to abuse of alcohol they cannot keep jobs and in cases where they do get a job they get fired for not showing up for work due to drunkenness. Other respondents said because they do not complete short courses offered, and because they do not want to go to places like NAMCOL due to high fees, it contributes to many of them not having a job.

3.6.3 Respondents' Suggestions for Addressing Youth Unemployment

One of the main issues that was suggested by the unemployed youth was to allow grade 10 failures to repeat. Other respondents mentioned improving skills, job initiative projects and for Government to recognise the different problems faced by different unemployed youth.

Youth/community projects can be initiated; the right platform can also be put in place to enable the youth to come up with ideas of earning a stable income (Khomas resp6, 24 year old female).

We need projects to plant trees. Some of those who failed grade 12 can start something like NAMCOL for primary school kids, i.e. tutors/supporters of helping those other kids. Courses for cooking, sewing, computers with minimal payment like N\$100 or free. Such training is offered, but we don't have access to it because we can't afford it. Some youth spend money on accommodation because it is far and they can't afford it. If other major retailers like Shoprite come to Ohangwena region, employment can be created. Lots of people don't have requirements to work in Government like Defence Force (Ohangwena resp8, 22 year old female).

The youth proposed different interventions for job creation projects such as agricultural schemes, tree planting and fish harvesting. There were also concerns about some education policies and suggestions for an improvement of the education system. Some respondents wanted Government to introduce short courses to enable accessibility to the labour

market. Vocational skills were mainly emphasised by many respondents as a way to get employment. Therefore, upgrading skills was viewed by many as one of the major means of addressing unemployment among the youth. The youth also felt that their exclusion in employment creation policies is an obstacle in tackling unemployment.

In order to solve the problem of youth unemployment young people must be involved; this thing of us hearing there is youth policy somewhere and we don't even know if it works will not help us with solving the problem of unemployment (Khomas resp1, 34 year old female).

Ovapumbwa okuninga omapekapeko opo yamone apa pena ovanyasha vahapu kavena oilonga, vo tavapula no kumona kutya ovanyas oveli moghalo ili ngaipu no vapumbwa shike, shaashi ngele kushi omunu wehena ilonga, itoshuduko kaa. [They need to do research to find out where many unemployed youth are and to know in what conditions they are and what their needs are because if you are not unemployed you will not understand] (Ohangwena resp3, 20 year old female).

This demonstrates that unemployed youth want to be involved in government policies on unemployment. They are suggesting that youth employment or job creation policies should be guided by the needs of the unemployed youth themselves. Therefore, policy-makers should talk to the unemployed youth to find out what their needs are, and how these policies can be implemented.

3.6.4 Awareness of Government Plans on Youth Employment Creation

Respondents were asked whether they were aware of any employment creation programs targeting the youth. Many of the youth, particularly urban youth, reported that they knew little about employment programs. Ohangwena youth seem to have more knowledge of such programs.

Kiikondo imwe epangelo otali andja eeprojecta ngaashi deedopi ndele kutse kakuna sha. Epangelo otali andje eeloan opo vekii wedelako. [In some regions the government is devising projects such as brickmaking but nothing is happening in our region. Government gives loans so that people can improve themselves] (Ohangwena resp3, 20 year old female).

Ola tulapo eekoosa (courses) for free like at Eenhana for computers, maybe projects. I don't know what other plans they have. The computer courses help and people become secretaries because they gain skills. (Ohangwena resp5, 21 year old female).

I'm aware of the National youth service, which is financially supporting the youth with project proposals to create self-employment (Khomas resp2, 32 year old male).

A large number of respondents are unclear as to what government intervention programs mean to them. Some suggested that information about some of these programs should be sent to different regions in the

languages they understand. Respondents felt disadvantaged as they could not make the best use of programs that are meant for them due to lack of information.

3.7 Future Prospects

Respondents were asked as to where they see themselves in the future and how they would deal with their unemployment. Respondents have mixed feelings about how they see their future. Respondents expressed concern about their future should they not find employment. Some worried about how they would support their children should their parents or other relatives pass away. For some, the future seems bleak as they worry about their employment prospect, whilst for others the future holds possibilities for starting their own businesses.

When it came to respondents' five-year plan, some felt they would not live to reach five years due to their situation. Others were optimistic and confident that in five years' time, they would be working somewhere.

Ondina okukala ndamona oilonga. [I will definitely find a job]. I don't see myself not getting a job in 5 years' time] (Ohangwena resp4, 24 year old male).

I want to find a job in 5 years but *ondanyenga* (I'm not able to), I don't have a lot of hope (Ohangwena resp6, 24 year old female).

I will try to own a small company just so I can earn some money to help myself (Khomas resp5, 19 year old male).

Respondents were asked if they have any intention of continuing with education should they be given that opportunity. Many of the respondents indicated that they were willing to go back to school and would not pass such a chance.

Yes, I want to finish my school to prove to the youth that they can make it happen (Khomas resp5, 19 year old male).

Ondinaa ehalo lofikola [no training]. I have a will for education and training. I want to go as far as UNAM or Polytechnic or even apply for nursing (Ohangwena resp6, 24 year old female).

Among the future plans of the respondents, continuing with education seems to be important. For others, the future involves finding a 'decent job' and marriage.

4. Discussion

For many years now youth unemployment has been studied extensively, particularly as the number of unemployed youth rises. In Namibia, youth unemployment is rife and its consequences on both the youth and the entire country cannot be discounted. For instance, every year about 30,000 young Namibians leave secondary school and only about 5,000 are absorbed at the

institutions of high learning including vocational colleges (Heita 2010). Consequently, the rest of these school leavers have to find a job to start off with. In addition, some of these youth are particularly vulnerable to becoming or remaining unemployed as they have little or no work experience.

4.1 Unemployment Experiences

This research shows that some of the challenges experienced by unemployed youth include financial hardship, lack of education and skills as well as the inability to provide for their families. In addition, unemployed young people experience exclusion from the labour market, which means missing out on potential income that can allow them to participate in activities that other young employed people are doing. The evidence from the interviews and diaries suggests that youth unemployment has an undesirable effect on young people's lives, be it family life, social life, financial life as well as their health.

Oshili, okukala kuna oilonga okushololifa, toyi ashike pedu [The experience of unemployment wears on you and brings you down] (Khomas diary4 excerpt, 22 year old female).

The experiences of these youths confirm the findings of Çelik's (2006) qualitative studies on unemployed youths, their attitudes towards finding a job as well as their ways of coping with unemployment. Unemployment is experienced as a time of struggle, distress and a period of crisis and constant attempt at survival. For many of these young people, unemployment primarily means a lack of income. There was a slight difference in how the youth from the two regions experienced unemployment. Urban youth had more family members with high income than rural youth, which lessened the unemployment burden in the household for the urban youth. Urban youth had more employment opportunities than rural youth and most of the urban youth were called for job interviews compared to rural youth. According to Hearn (1994), the unemployed youth experience feelings of rejection and humiliation while the lack of financial resources prevents them from becoming independent. Supporting Hearn's assertion, this study showed that lack of a paid job is hard to bear and has negative consequences on the wellbeing of the young person. Due to the desperate situation in which the respondents find themselves, the majority of them accept any job, however, unfulfilling, just to earn an income. This point is supported by Hearn (1994) who stated that the lack of possibilities for study leads to frustration for the unemployed, because they cannot fulfil their potential and as a consequence have to accept unfulfilling and often boring jobs. This study further indicates that many of the unemployed youth are engaged in sporadic jobs within the informal sector through which they attempt to survive. The informal employment seems to be a temporary safety net for most of them as it is difficult to find employment in the formal sector. Unfortunately for many people, specifically unemployed youth, informal employment is the main

and often only source of livelihood due to their disadvantages based on low skills and lack of access to capital (Kanyenze and Lapeyre 2012).

There seems to be lack of awareness of some of the employment services particularly from the Khomas youth, although such facilities are likely to be known in urban areas and are possibly more accessible there than in rural areas. Some young people talked about how they got scammed by criminals who pretended to be employment officers. This they said creates fear or distrust in some of the employment agencies. Those who were registered either with youth services or regional Councillor's office did not receive any feedback or when they did, they were often told to wait for available job vacancies or possible training.

In terms of previous employment and job losses, this study shows that the unemployed youth were made up mostly of those who had not been previously employed and a few first-time job seekers. The previously employed had lost or left their previous jobs for several reasons, while the first-time job seekers were mostly young school leavers seeking employment opportunities in the labour market. Ohangwena respondents' mostly worked in retail, construction and domestic work. This was due not only to their low educational level but also the type of labour market Ohangwena has compared to Khomas. Namibia as a whole does not have a strong labour force absorptive capacity and it is worse in regions which are predominantly rural such as Ohangwena. In addition, casualization of work, closing down of companies and retrenchment seem to overrun Namibia's already small labour market, thus contributing to the unemployment particularly among the youth.

4.2 The Job Search and Duration

The study shows that most of the youth have been unemployed for more than two years. The youth are looking for work but there are no jobs available in both Khomas and Ohangwena regions. At the same time, these young people have low educational levels and lack work experience. The low education is because many of them did not complete secondary education, and therefore have never worked to gain some experiences.

These young people begin their pursuit of work with optimism; however, as time goes by and they have not found a job, the optimism starts to fade away. Female respondents indicate a more pessimistic attitude than male respondents in both Ohangwena and Khomas regions. This is probably because males are more likely to find a job than females. NLFS 2012 shows that unemployment is higher among females than among their male counterparts (NSA 2012a). Respondents who have never worked and those who have been unemployed for more than 3 years seem to have given up finding a job. This supports ILO's (2012a) assertion that the longer the youth are without employment, the more difficult it becomes to integrate them into the labour force and as a result creates a group of discouraged youth. There was also a sense of sadness as the youth discuss their

unemployment situations particularly from the respondents who have been unemployed for 15 years. Krueger et al. (2011) study found that unemployed youth feel sadder the longer they are unemployed and their sadness rises more with unemployment duration during episodes of job search.

Looking for work for 3 years, I go speak to owners at construction sites but they don't have any jobs. I complete forms but I don't get feedback. I have never been called for an interview. Maybe if I don't find a job for too long, no one will give me work again (Ohangwena respondent 1, 27 years female).

Young people spend a lot of time and effort searching for a job. The costs related to job search include the job seeker's time, rejection, money, and stress. When searching for a job, some of the strategies or methods used include walking distances to and from regional Councillors' offices, visiting worksites and going to friends or relatives asking for employment information.

Okweenda nee shitola andipula eemanager meembelewa do meshitola ngeenge omuna eembito, no kuumba e CV dange mwakwatelwa eedjapo dulongiwe. Efimbo limwe iimaliwa yo kuumba ohaipupo, ile ondilo unene. [Walking from shop to shop, asking managers in their offices if there is any vacancy, and also mailing my CVs with qualifications, and sometimes the money finishes or it becomes too expensive to go on (Ohangwena day 1 diary excerpt, 24 year old female).

Some respondents travel to other towns or areas just to enquire about possible job openings. All these require money, time and effort and can be stressful. Some respondents indicated that they have given up looking for work upon realizing that their search has not yielded any employment. Gray and Hunter (2005) have pointed out that because information about job opportunities and workers' characteristics are imperfect, the process of job search is not costless as it takes time and effort. Despite young people's efforts in their job search, they still have to deal with rejection and in some cases they do not get responses from potential employers. Being rejected for job interviews seems to cause doubt and worry among the youth, making them become demoralised in their job search activities. This view is supported by Stamm's (2006) argument that suggests that the constant rejection of young people in the labour market leads them to interpret such experience as a misanthropic message where they feel society has no use for them.

4.3 Job Search and Social Networks

There was not much difference between Khomas and Ohangwena in the use of friends and relatives, or visiting work sites to search for jobs, although male respondents seem to visit worksites more than females do. Although this study was not looking into the question of which job search method yields more chances of employment for the youth, the researcher noted that

many of the respondents seem to rely more on family, friends or neighbours as the main source of information about job openings. This can be attributed to the absence of employment agencies or job centres especially in Ohangwena region. Even in areas such as Windhoek (Khomas), where one may be able to find employment agencies, young people still tend to rely more on the informal job search methods such as relatives and friends. This suggests that informal networks play an important means of finding employment (Granovetter 1983; Gray and Hunter 2005). A similar assertion is made by Ioannides and Loury (2004) who argued that using friends and family may be productive, not only in finding jobs but also in improving the quality of the match between the workers and the organization.

4.4 Social Support

For both Khomas and Ohangwena the family is the major source of support for the respondents, although help from friends and neighbours is of importance to them. The support provided by family, friends and neighbours takes various forms - monetary, material or emotional. Family support helps to maintain unemployed youths, and this is supported by Çelik (2006) and Hutchens (1994). This is reflected particularly in the diary interviews, where respondents who had extended family support seemed to be more positive about their unemployment experiences because they used family as a strategy by which they could cope with unemployment. Some of these strategies include the encouragement not to feel alone during unemployment, seeking information and attempting to get help from relatives and friends. Literature (Fryer and Fagan 1993; Çelik 2006) has it that the importance of moral support from friends and family has an impact on boosting the morale and self-esteem of the unemployed youth. Some unemployed youth give back by doing other activities such as household chores, child minding and general repairs to the house. Not all families are supportive of the unemployed youth. There were cases where respondents felt undermined by their relatives and friends. This mostly came from respondents who lived in households with one employed person.

4.5 Aspirations and Attitudes

The study found that many of the unemployed youth aspired to some type of work when they were younger. However, because of their unemployment situation and educational experiences they adjusted their aspirations to fit with the current realities. This is in line with Gutman and Akerman's (2008) and Lowe and Khran's (2000) argument that aspirations begin to be shaped early in a child's life, but are modified by experience and the environment.

Ideally, I wanted to become a teacher but now I want to work in Defence or Police because it is easy to get there with what I have (Ohangwena resp5, 19 year old male).

Although respondents' aspirations have changed from the time when they were younger or in school, the willingness for them wanting to do any type of work points to their eagerness and perhaps desperation to find employment. Respondents were aware of their education limitations as a major influencing factor on their work aspirations and expectations. This may also explain the change in their occupational aspirations as influenced by their experiences in the labour market. For instance, many youth in Ohangwena aspire to work in the retail shops such as Pick 'n Pay, Chinese shops, domestic work, municipalities, Police and Defence Force. This is because these are the types of jobs that exist in the Ohangwena labour market. Khomas respondents on the other hand aspired to more professional work such as accountant, mechanic and office jobs, again indicating the type of jobs observed in the Khomas labour market.

4.6 Suggested Interventions on Youth Unemployment

The emphasis on curbing youth unemployment was mostly placed on the need to provide job creation initiatives in the two regions. Such initiatives include agricultural projects and free vocational skill training. Respondents suggested that the education policy of no repeat for grades 10 and 12 should be revised to allow the failed learners a second opportunity to 'formal schooling'. This policy disadvantages these learners in a way that, if for instance a learner felt ill during examinations or had bereavement, and thus could not write an examination, they are not given another opportunity. This leads to a fail and ultimately impacts on the rest of their education, as they are not able to continue to the tertiary level. This policy is seen as one of the major causes of youth unemployment as not all failed learners manage to take up open learning education such as that offered by NAMCOL. Therefore, it makes sense if the unemployed youth suggest being involved in the policies related to young people, particularly those on employment creation, as this can give them an opportunity to make an input based on their experiences of unemployment.

In conclusion, the problem of youth unemployment is multiple and depends more on a particular context. The focus of this study was mainly on investigating how these young people from Khomas and Ohangwena regions experience unemployment in their everyday lives. The study also aimed at determining the social support of the unemployed youth. A number of respondents alluded to insufficient job opportunities arising from scarcity of vacancies, as well as lack of skills and qualifications.

Most respondents also emphasised their willingness to accept any type of job to earn an income. Given the lack of sufficient employment opportunities in the formal sector, young people are compelled to engage in casual work, particularly in the informal sector and other unorthodox livelihood sources, thus leading to underemployment. Although Namibia does not have unemployment benefits, the majority of the unemployed youth depend on their families and friends for support. This support also determines how many of them experience their unemployment, whether it

is in terms of their livelihood, job search activities or everyday survival. There are many young people who are discouraged in searching for a job, especially in rural areas. It is also clear that unemployment varies with educational attainment - the lower the level of education, the higher the probability of being unemployed. Respondents themselves have acknowledged that their lack of education and skills hinders them from getting jobs, supporting the 2008 NLFS report that shows unemployment is high among those with little or no education. The study also revealed that most unemployed youths have positive attitudes towards finding a job, although most of the time their search activities are unsuccessful thus leading to a few developing some doubts on finding a job. For both rural and urban youth, job search is in general costly for the job seeker but it is also necessary in order to find employment. Young people's aspirations are constrained not only by their low educational level but also by the type of labour market within the two regions. This means that the desire to work and the jobs that are out there shape the aspirations of the unemployed youth.

Following are some suggested recommendations: Unemployment needs to be approached in an inclusive manner where the unemployed youth are given a chance or opportunity to use their own experiences of unemployment and improve on Government's employment policies. The education policy of no repeats for grades 10 and 12 should be revised to allow to repeat at least for those who fail for the first time. The Ministry of Education should introduce the second opportunity or supplementary examinations particularly for grade 12 learners to allow them to improve on their grades. This supplementary or second opportunity examination should be done within the same academic year to allow students to register for their tertiary education. There is a need to establish job centres particularly in rural areas to assist job seekers in their job search. Some of the vocational training should be career-focused and be relevant to the job opportunities available within the labour market. The gender training such as beadwork and cooking for females should be revisited, as many of these do not always translate into decent employment for females.

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CHAPTER 7

Urban Youth Unemployment in Tanzania: Analysis of Causes and Policy Responses

*Deogratius Massawe**

1. Introductory

Youth unemployment has grown in prominence in the national and global development agenda as a result of the underlying problems of the large number of young people entering the labour markets every year, lack of employment opportunities in particular in poor economies and post-conflict countries, and the low quality of education and training without a proper link to the labour markets.

The unemployment problem is highly pronounced in urban areas and the unemployment figures for young people are staggering. As global employment trends show, the world faces urgent challenges of creating 600 million productive jobs in the next decade in order to generate sustainable growth and maintain social cohesion (ILO 2007). ILO further points out that an estimated 1.1 billion people are either unemployed or living in poverty. The majority of the most affected population is young people (who are between 15 and 24 years of age) estimated at 1.2 billion. Despite strenuous efforts by governments around the world the youth unemployment rate continues to escalate at an unprecedented level. The Global Employment Trends 2012 report indicates that 74.8 million youth aged 15-23 were unemployed in 2011, an increase of more than 4 million since 2007. It adds that, globally, young people are nearly three times as likely as adults to be unemployed.

The problem of unemployment amongst the educated youth has received serious attention among policy makers in Sub-Saharan Africa and Tanzania in particular. There are growing disparities between supply and demand for educated youth in these countries. In the face of globalisation and technological changes, there is an increased demand for skilled workers, making it difficult for graduates to secure employment as they are inadequately prepared to enter the job market. University graduates are the hardest hit by the unemployment problem. It is further noted that the capacity of universities and colleges to equip youth with demand-driven skills is highly questioned by social partners and practitioners.

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Different arguments have been given by various researchers on the issue of unemployment amongst the educated youth, but employability of graduates remains an important factor influencing the demand for graduates as there is evidence of a close relationship between the incidence of unemployment and relevance of the education offered. The labour market does not need the kind of education offered by the colleges and universities, which indicates the demand problem is an important factor in explaining the unemployment. The problem is further aggravated by lack of sufficient information about labour markets and non-availability of career guidance for graduates.

Unemployment is structural in the sense that there is a mismatch between the types of workers supplied and those demanded in the labour market as a majority of unemployed individuals are poorly educated and possess limited skills. Firms, on the other hand, increasingly demand high-skilled workers at the expense of unskilled workers due to structural shifts in the economy: production is shifting towards more skills- and capital-intensive industries, while the adoption of technologically more advanced production processes has also had an adverse effect on the demand for low-skilled workers.

The dimension of youth unemployment challenge in Tanzania is well documented. There is greater variation between the number of graduates entering the labour market each year and the jobs created in the formal sector. The estimates of currently unemployed persons for the year 2011 are 2,368,672 persons, which is equivalent to 10.7 per cent of the labour force population.

The causes of youth unemployment in Tanzania are diverse and multifaceted and cannot be explained independently from adult unemployment. Unemployment is caused by the sluggish performance of the economy and its inability to generate adequate employment opportunities. The problem of unemployment was compounded by privatisation and budgetary squeezes which immensely contributed to employee lay offs.

According to ILFS (2006), the unemployment rates differ substantially between urban and rural areas, with rural areas having 7.5 per cent and urban areas excluding Dar es Salaam having 16.5 per cent (DSM has an unemployment rate of 31.5 per cent). The unemployment problem affects more youth with 13.4 per cent compared to the national level of 11.7 per cent. Considering the impact on gender, women are more affected with a rate of 12.5 per cent, while men had 10.5 per cent. Likewise, among the youth, the unemployment rate for female youth is 13 per cent while that of male youth is 10 per cent. An increasing number of youth are moving to urban centres like Dar es Salaam, but they are unable to find work due to lack of skills and work experience.

In an endeavour to mitigate the severe impact on unemployment, Tanzania has embarked on different measures; it has crafted policies, programmes and projects aimed at reducing poverty. Despite all these efforts, the unemployment problem is still persists with educated youths being the most affected. Hence this study aims to assess the causes and policy implication of urban youth unemployment in Tanzania.

1.1 Objectives of the Study

The objectives of this study are three-fold:

- To explore the problem of unemployment among educated youth in urban Tanzania.
- To explore the perceptions of educated youth towards the problem of unemployment in urban Tanzania.
- To gain a comprehensive understanding of the policy responses towards the problem of graduate unemployment in urban Tanzania.

1.2 Conceptual Framework

Theoretical framework builds on the skills mismatch theory that was proposed by Seers (1971), who contended that the educated youth are not employed because they lack relevant skills needed in the labour market. The employers are not willing to hire the graduates as they view them as lacking sufficient skills for the available jobs. In the era of globalization characterized by rapid technological changes and a shift to capital intensive production, employers are demanding more qualified employees than those produced in the existing education system. The high skilled jobs are accompanied with job security, attractive pay and social protection. As suggested by Seers, the most significant underlying factor for youth unemployment is the mismatch in the demand and supply of skills. Seers also notes that the problem of high unemployment is compounded by absence of robust employment creation strategies thereby rendering a greater number of educated youth jobless. This is why there is mounting pressure by education practitioners and activists urging Government to revamp the education system so as to equip the educated youth with labour market-driven skills. The skills mismatch theory enabled me to make a prediction of what I was likely to find in my study.

According to Arunatilake and Jayawardena (2010:92-93), numerous researchers have written in support of skills mismatch theory. Glewe (1987) confirms that the skills mismatch hypothesis is valid in rural and urban sectors.

2. Description of the Study Area

This study was carried out in Dar es Salaam region and study targeted three Municipalities of Kinondoni, Ilala and Temeke. Dar es Salaam was chosen as an area of the study because unemployment is an urban phenomenon affecting the majority of the youth as asserted by ILFS 2006. Dar es Salaam

harbours the highest cohort of unemployed educated youth compared to other regions as most of the rural youths flock to Dar es Salaam in search of greener pastures. The labour market in Dar es Salaam is relatively developed compared to the rest of the other cities in Tanzania. The biggest employers in the public and private sector, such as key Government institutions, ministries and agencies, are concentrated in Dar es Salaam. Dar es Salaam hosts too many large higher learning institutions and is hence, the largest producer of graduates.

2.1 Study Design

This study employed a cross-sectional research design where data on educated youths and the policies that have been introduced to eradicate the unemployment scourge was gathered at a single point in time. This research design was chosen because little resources are required in terms of finance and time. This study is cross sectional with regard to both the study population and the time of investigation.

2.2 Data Collection Methods

Information was gleaned from both secondary and primary sources in order to overcome the weaknesses that are inherent in data collection by relying on a single source of information

2.2.1 Primary Data Sources

Primary sources of data were collected using an administration of questionnaires and key informant interviews. The questionnaire was administered by post, in person or by phone depending on accessibility of graduates who completed their college education during 2008 to 2010 and could not secure job. Information about job seekers, their names and contacts was obtained from TaESA registry. TaESA is an executive agency established by the Government to offer advisory and placement services to unemployed youth in Tanzania. These services include registration and assessment of job seekers, job matching and referral of job seekers to relevant employers. The justification for adopting this technique for data collection is that it was easy to reach a lot of unemployed graduates in a short space of time. It also gives respondents a chance to express their broader opinions or comments on the issues affecting them in a written form since all the respondents were literate.

In addition, extra information was gathered by interviewing the key informants such as the personnel responsible for employment matters at the Ministry of Labour, Employment and Youth Development, three youth coordination officers at Kinondoni, Ilala and Temeke Municipalities, labour market experts from the Institute of Social Work, University of Dar Es Salaam and Open University of Tanzania, representatives from NGOs making unemployment as an advocacy agenda, such as Tanzania Youth Alliance and Tanzania Youth Coalition. To allow cross-fertilization of ideas, the Association of Tanzanian Employers was consulted to get the

feelings of employers on the employability of graduates. Lastly, Focus Group Discussion (FGD) was held with key stakeholders to capture their opinions, perspectives, perceptions, and feelings on their involvement in the youth employment creation programmes. Those who took part in the discussion were labour market experts, top officials at TaESA and the Ministry of Labour, Employment and Youth Development, and the job seekers. The discussion lasted for one hour but was very rich in terms of critical reflections which emanated from the participants. FGDs were also useful in exploring the perceptions and perspectives of youth groups engaging in income generating activities in Dar es Salaam.

2.2.2 Secondary Data Sources

Secondary data was used to enrich information gathered from primary sources. Secondary data was obtained from a review of documents on youth unemployment and underemployment in Tanzania and elsewhere. These include periodicals, Government reports, ILO publications, National Employment Policy 2006, the 1996 National Youth Development Policy as amended in 2007, the 2000/2001 Intergraded Labour Force Survey, 2005/2006 Integrated Labour Force Survey, 1992 National Informal Sector Surveys, Tanzania National Bureau of Statistics reports on unemployment, symposium proceedings, and peer reviewed articles. Other information was collected from key institutions responsible for the design and implementation of employment policies, particularly the Ministry of Labour, Employment and Youth Development, Tanzania Employment Services Agency (TaESA), Poverty Eradication Division- Vice President's Office. Efforts were also made to obtain information from Dar es Salaam City Council.

A pilot study was conducted in October 2011 to pre-test the questionnaire. This was done after extensive consultation with colleagues and selected respondents so as to incorporate their comments that enabled me to improve the questionnaire.

2.3 Sampling Methods

Different sampling methods were employed in the study depending on the type of actors and the setting of the study. Multistage sampling was used to select regions, districts and wards. Dar es Salaam city was selected purposively because of the presence of a relatively higher population of the unemployed youth graduates compared to other big cities like Mwanza and Arusha. The administrative wards from the three municipality councils of Kinondoni, Ilala and Tememe in Dar es Salaam region were also selected purposively based on their likelihood of getting a large number of unemployed graduates and employment agencies as well. Respondents from each ward were selected purposively through snowball sampling where 30 respondents were targeted from each ward making a minimum sample of 60 respondents from each municipal council. In this case unemployed youth graduates were requested to identify their fellow

unemployed graduates who graduated from college between 2008 and 2010. Snowball sampling was opted in this survey because of the difficulty of locating the unemployed graduates in the Dar es Salaam region. Despite this difficulty, out of the 250 unemployed graduates, 200 participated successfully in the survey by filling in the questionnaire. Based on the objectives of the study, the following relevant questions were asked: (i) How long have you been without work? (ii) Why have you been unsuccessful in finding a job? (iii) What type of help did you receive in order to secure a job?

In addition, a stratified sampling technique was used to identify three municipalities in Dar es Salaam as well as the two categories of respondents, namely the unemployed youth graduates, on one hand, and 10 employment officials who were purposively selected from Ministry of Labour, Employment and Youth Development, and Tanzania Employment Services Agency (TaESA), coordinators of youth affairs in three municipalities, three labour market experts, senior academics from the leading universities in Tanzania, two representatives from NGOs as well as the Director for Policy and Advocacy at the Association of Tanzanian Employers. These key actors in the employment sector were treated as key informants, and were interviewed using a checklist with questions relating to the key theme of unemployment among the youth graduates in Tanzania.

3. Theoretical Review

3.1 Definition of Youth

According to the UN standard definition, youth comprises the people aged between fifteen and twenty-four years. In practice, the definition of youth differs across nations as determined by cultural, economic and institutional as well as political factors. In the context of contemporary Tanzania, the youth refers to persons aged between 15 and 35 years (URT National Employment Policy 2008; Youth Development Policy 2006).

3.2 The Concept of Unemployment

It is important to provide a definition of youth unemployment. The ILO definition, the most widely applied definition, recognizes the unemployed as “those individuals who have not worked for more than one hour during a short reference period (generally the previous week or day), but they are available for and actively seeking work” (O’Higgins 2001:17).

In developed countries, cross-country differences are observed. For instance, in some countries such as Norway, students are considered as actively seeking jobs, while in other countries they are viewed as outside the labour force. Some countries do not use one-hour principle; instead they prefer a longer working period. In The Netherlands for instance, the reference period is 12 hours per week. Unemployment may also refer to a situation in which individuals have no prospects for gainful employment but they desire to work. They may be considered outside the labour forces,

but they may return to work when the prevailing economic conditions improve. In this case, some authors have strongly suggested the need for introducing a broader definition of unemployment that would be more inclusive. That is what is being offered in the current definition of unemployment. This is why some counties have adopted the unemployment/population ratio (Gaude 1997:16-17).

The national definition of unemployment includes all persons who, during a specified reference period (e.g. one week), were without work, i.e. were not in paid employment or self-employment, or currently available for work.

The available statistics reveals that urban youth are highly affected by unemployment problem compared to adults as shown by data in table 1. The ILFS (2006: 9) shows that the unemployment rate of youth aged 15-24 years is the highest, at 14.9 per cent, compared to 10.4 per cent for adult unemployment rate and 11.7 per cent for the total unemployment rate. The youth unemployment rate shows a decline of 1.6 percentage point from the 2001 rate of 16.5 per cent. The ratio of the youth-to-adult unemployment rate is 1.4 per cent, indicating that the youth are nearly one-and-a-half times more likely to be unemployed than adults. This ratio is the same as it was in 2001.

Table 22. Unemployment rate of population by sex

Sex	11-24	25-34	35-64	65 and above	Total
Male	14.3	10.3	8.9	8.1	10.7
Female	15.4	13.2	10.2	10.4	12.6
Total	14.9	11.8	9.6	9.2	11.7

SOURCE: ILFS 2006

The number of unemployed women is higher, reaching 60 per cent in urban areas compared to that of male's 45 per cent. In Dar es Salaam, the female unemployment is 40.3 per cent almost double that of males.

3.3 The Labour Force Participation Rate

The labour force participation rate provides a broader picture of the proportion of people engaging in economic activities either as employed or self-employed. It represents the size of the productive labour force in the economy.

Based on the IFLS (2006), Tanzania has recorded an overall labour participation rate of 89.6 per cent. The 25-34 age cohorts have the highest labour force participation rate. These are able young people with higher educational qualifications. They are the ones who are desperate for jobs to

earn reasonable incomes that will support them and their families. Data in table 2 shows the labour force participation rate by age group and sex.

Table 23. The labour force participation rate by age and sex

Age group	Sex		Total %
	Male	Female	
15-24	81	82.4	81.7
25-34	98.3	96.8	97.5
35-64	97.1	94.7	95.8
65 +	74.3	62.4	68.2
Total	90.5	88.8	89.8

SOURCE: ILFS, 2006

3.4 Why Youth Unemployment?

The reasons advanced for the increasing youth unemployment are analyzed at different levels such as the youth population, the nature of the labour market and the behavioural and demographic features of the youth themselves (Rees 1986: 3).

According to O' Higgins (2001:12), youth unemployment is explained by an interplay of factors ranging from lack of skills, youth wages, and aggregate demand to the size the youth population.

According to Higgins, young people are more vulnerable to layoffs, especially during recession as companies decide to discontinue hiring. In turn, the youth's entry to the labour market is adversely affected. The youth are the first target because they are less experienced compared to elder workers. Mlatsheni and Rospabe (2002:16-28) argue that lack of experience among youth limits their chances of success in the labour market. The young people are more likely than older people to be laid off from the job when the company reduce the size of the workforce. At this stage, young people are often disillusioned as they still have short-term targets to achieve in life.

The ever largest youth cohort triggers unemployment. According to the 2012 ILO Global Employment Trend, the world faces the urgent challenges of creating 600 million productive jobs in the next decade in order to generate sustainable growth and maintain social cohesion. As stressed by the ILO Director-General Juan Somavia, there is an estimated 1.1 billion people either unemployed or living in poverty. The young people (who are between 15 and 24 years of age and who are estimated at 1.2 billion) continue to bear the burden of unemployment.

The youth unemployment problem is compounded by lack of sufficient skills to compete in the labour market well and lack of labour market information amongst the youth has added a number challenges in eradicating youth unemployment. Very little is documented in the Tanzanian context to explain the reasons for the ever-increasing youth unemployment. The literature builds on the applied employment theory developed by the Youth Employment Network. According to this theory, youth unemployment is a factor of: (i) Lack of Employability (E1); (ii) Lack of Employment Creation (E2); (iii) Lack of Entrepreneurship (E3); and (iv) Lack of Equal Opportunities (E4).

Lack of employability amongst Tanzanian youth is singled out as one of the main factors holding back the youth's participation in the labour market. For example, Semboja (2007:17), argued that the training offered by colleges and universities does not fit employer needs; as a result many graduates were perceived to be less qualified for professional jobs. He also noted that limited access to labour market services amongst the educated youth amplifies the unemployment challenge. The unemployment problem is aggravated by short-term transition from school to the labour market, attitudes of the job seekers towards jobs, attitude of employers towards job seekers and lack of mentoring in career development. The employers perceive graduates as lazy and incompetent to undertake professional jobs. At the same time jobseekers prefer highly paying jobs commensurate with their skills.

According to the World Youth Report (2003:5), the phenomenon of graduate unemployment derives from different factors. One is mismatch between the education offered by the universities and the demand in the labour market. The majority of universities confer degrees in the social sciences, which are less expensive to teach compared to the physical sciences or engineering. Training in physical sciences requires sophisticated equipment and technologies which are too costly for the universities in developing countries. As a result, there is a proliferation of graduates in the social sciences, political science or education, but there are limited job opportunities in these fields. Conversely, high-tech jobs remain unfilled.

Tanzania embarked on structural reforms starting in the late 1990s with the motive of stimulating substantial private sector investment. These reforms comprised simplification of licensing procedures, overhaul of the tax regime, and enactment of fair competition laws. Tanzania is also implementing Business Environment Strengthening program (BEST) intended to create an enabling environment for formal private sector investment. However, the implementation of those programmes did not translate into meaningful outcomes (URT 2007).

The inability of the economy to generate adequate jobs in the formal sector or to absorb a greater number of graduates remains the most important factor documented in many publications. The high cost of doing business in Tanzania is a major stumbling block to growth-enhancing investments. The connectivity and accessibility is hindered by dilapidated communication and transportation networks. The major concern to investors is the escalating power tariffs resulting from insufficient investment in power generation projects. According to Africa and Global Competitiveness Index report (2011-2012), Tanzania is amongst the countries placed at the bottom rank in terms of easiness of doing business. Tanzania has dropped by six slots in 2010 to 120th in 2011/2012 out of 144 countries trailing far beyond other African countries like Rwanda (63rd position), Mauritius (54th) and South Africa (52nd). The Tanzania position is due to unreliable power supply, poor quality of infrastructural networks (like roads, port, and railways), labour market inefficiency and worrisome performance in higher education and training.

Lack of entrepreneurship also serves as an important factor explaining the unemployment problem for the educated youth in Tanzania. The Tanzanian Government recognizes the potential of small business in employment creation and poverty alleviation. In taking cognizance of this, Tanzania formulated in 2004 its SME policy which provides various initiatives to support small and medium enterprises: enabling credit access, entrepreneurship training, establishment of business incubators, and provision of small grants among others. According to Semboja (2007:18), many of the small and medium enterprises are engaging in mining, commerce, smallholder farming, non-farm economic activities, manufacturing and social services. However, the educated young are not willing to accept the jobs offered by the small and medium businesses; instead they prefer to work with large companies that offer better pay and secure jobs resulting to frictional unemployment.

Lack of equal opportunities for women and men offers a possible explanation for inequality in accessing formal wage employment in Tanzania. In Tanzania, women who constitute majority of population, have faced challenges in accessing educational opportunities leading to domination of the formal wage sector employment by men. Very few women are found in sectors such as mining, communication, manufacturing and construction. The labour participation rate for women is higher in rural areas where women are concentrated in subsistence farming.

3.5 Institutional Policies and Programmes for Addressing Youth Unemployment in Tanzania

Tanzania has developed key employment related policies which recognize the centrality of the private sector in addressing the unemployment problem (MLEYD 2007: 5). These policies are discussed below;

a) *Establishment of youth department within the Ministry of Labour and Employment, Municipals and District Councils.*

These departments have been established to oversee the issues of young people; they specially offer various services to the youth, like labour market advice, career counselling, guidance and facilitating participation of youth in productive economic activities. The departments have encouraged the formation of youth economic groups with to encourage the youth to engage in self-employment activities. In Dar es Salaam alone, there are more than 100 groups in all three municipalities.

However, the critics say the departments are preoccupied with mobilisation of youth for sport and cultural activities, ignoring critical issues like preparing the youth for the job market and enhancing participation of the youth in income generating activities. Despite the fact that the Government allocates funds for economic groups, the money does not reach the youth groups. As a result, the youth groups are struggling to survive due to lack of funds, training and business development services.

b) *The National Employment Policy, 2006*

The policy has articulated several objectives to create gainful employment opportunities. They are summarised as follows;

- To revisit the training curricular to ensure that they match with the requirements of the labour markets.
- To facilitate job counselling, career guidance and labour market skills training to job seekers through the Tanzania Employment Services Agency.
- To promote pro-employment economic growth and supporting the growth of sectors which absorb a greater number of job seekers.
- To encourage self-employment practices amongst the youth through transforming the informal sector into a productive formal sector, offering business development services, and enhancing credit access through establishment of micro finance institutions.
- To encourage joint-ventures between local and foreign investors.

However, the expectations in this policy are unrealistic since the policy assumes that employment creation for the youth is the responsibility of the private sector. The Government will only provide a better environment for the private sector to generate enough jobs. These expectations originate from the principles of structural adjustment policy packages which reduce the role of the state to a passive role of job creation.

c) *The National Youth Development Policy, 1996.*

The Youth Development Policy was developed to enhance participation of youth in productive activities in sectors like agriculture, fishing, animal husbandry, small-scale business and raise the nation's productivity. The

young people are expected to be active players in community mobilisation and in decision making at the national and grassroots level.

It has the following objectives:

- To prepare the youth psychologically, economically and socially so that they play a leading role in decision-making organs.
- To foster participation of youth in national development.
- To engage different sectors and organisations in the design and implementation of youth development plans.

The Youth Development Policy recognizes the centrality of employment creation for the youth. However, the available evidence shows that the Youth Development Policy does not comprehensively address the expectations and aspirations of unemployed youth in Tanzania. The policy is not coherent and lacks clear objectives in enhancing the participation of youth in the labour market. The policy itself does clearly state who is responsible for implementing it, but lacks clarity on the mechanisms to track implementation progress.

d) Establishment Vocational Training Centres

The vocational training centres have been established at district, regional and national levels under the coordination of Vocational Education Training Authority (VETA). The objective is to facilitate practical skills acquisition amongst the youth who are expected to venture into self-employment activities. However, the centres are grappling with constraints that hinder their effectiveness; they are under-resourced, under-staffed, and lack sophisticated training equipment and facilities.

e) Establishment of Tanzania Employment Service Agency (TaESA)

TaESA was established under Executive Agency Act No. 30/1997, with the responsibility of offering various services to job seekers ranging from labour market advisory, labour market training, cross-border placement services to matching the job seekers with the employers. TaESA also offers labour market information to job seekers who are required to register for employment.

However, the critics argue that TaESA lack aggressive promotion strategies; as a result very few job seekers are aware of its existence.

f) The National Strategy for Growth and Reduction of Poverty (NSGRP)

The goal of the NSGRP was to reduce unemployment from 12.9 per cent in 2001 to 6.9 per cent by 2010. This could be achieved through:

- Promoting public investment in sectors which can accommodate many job seekers, such as agriculture, tourism, mining and manufacturing.

- Promoting self-employment through vocational training as well as apprenticeship and entrepreneurship training.
- Allocating more investments in community-based construction and maintenance of rural roads.

The NSGRP does not effectively address the aspirations and perspectives of young people within the broader macro economic framework. It lays emphasis on the need for the youth to engage in self-employment activities, but does not comprehensively address macroeconomic issues (both fiscal and monetary) that have served as constraint for young people to engage in entrepreneurial ventures. This includes the escalating inflation rate (currently standing at 17 per cent), increasing interest and local currency depreciation.

g) Business Environment Strengthening Programme (BEST)

The BEST programme was established to create a conducive environment for strengthening the development of private investment by reducing transaction costs, harmonising tax regime, simplifying licensing procedures and providing quality service to the private sector.

h) Agricultural Sector Development Programme (ASDP)

The primary goal of this programme was to enhance profitability and productivity of the agriculture sector as the biggest source of employment opportunities. This could be done through extending support to agricultural production, processing and marketing. Other initiatives to support this sector are instituting policies, regulatory framework and investing more in research and advisory services to smallholder farmers.

i) Construction Industry Policy, 2003

The goal of this policy was to enhance cost effectiveness and competitiveness of the local construction industry. The policy intended to encourage broader involvement of the local contractors in road works and other construction activities.

j) The National Employment Creation Programme (NECP) 2007

This was created to operationalise the National Employment Policy. The NECP aimed to create more than a million decent jobs between 2006 and 2010. Specifically, the National Employment Creation Programme is to;

- Promote private sector investment through implementing demand-driven policies and strategies which will, in turn, boost employment and self-employment.
- Strengthen the labour market institutional and regulatory framework.

- To increase investment in sectors with high potentials of absorbing many job seekers like agriculture, mining, manufacturing and tourism.

There are also initiatives by the non-governmental organisations, civil society and International Labour Organisation.

The ILO has launched Kazi Nje Nje Programme in collaboration with the Tanzanian Government. The programme targets fresh young graduates aspiring to become entrepreneurs. It aims at building the capacity of fresh graduates through exposing them to apprenticeship programmes to acquire practical professional skills that enables them to employ themselves and create jobs for other youth. Also, the programme avails financial support to ambitious graduates who have chosen self-employment as a lifetime career. According to ILO, 74,500 fresh graduates, including those in Dar es Salaam have benefited from this programme.

Other training includes those by the Tanzania Private Sector Foundation (TPSF), a strong non-governmental organisation engaging in advocacy and lobbying in support of the private sector. For the past five years, TPSF have been offering grants ranging from 1,000 to 5,000 USD to young entrepreneurs who were able to write a viable business plan. They also extend business development services to young entrepreneurs.

Other non-governmental organisations are Tanzania Youth Alliance and Tanzania Youth Coalition. They offer support services to the young people in the form of labour market training, entrepreneurship training and career counselling. They have also created employment portals intended to deliver information about job vacancies to job seekers.

4. Results and Findings

4.1 Introduction

This section provides the research findings based on the objectives of the study. A sample of 200 unemployed youth graduates was surveyed to get a comprehensive understanding of the problem of unemployment amongst the educated youth in Tanzania through a survey conducted in Temeke, Kinondoni and Ilala municipalities in Dar es Salaam. Also, the findings of the study have been enriched with data provided by key informants during FGDs.

4.2 Demographic Characteristics of the Respondents

4.2.1 Distribution of the Respondents by Age and Marital Status

In this study, distribution of the respondents by age reveals that a majority (61.5 per cent) of the unemployed youth were aged between 25-30 years, while 21.5 per cent were aged between 15-24 years, and the remaining 34 (17 per cent) between 30-35 years as shown in Figure 1. These findings indicate that unemployment affects the youth who are still mentally and

physically capable and at a prime age of making substantial contributions to the social and economic development of the country.

Based on the marital status of the respondents, the results reveal that most of the unemployed graduates (83 per cent) were single, and about 17 per cent were married as shown in Figure 1. This implies that a majority of the youth are still young and are not ready to make a commitment to marriage due to uncertainty on income generation to support family life. It was cited during the FGD that lack of a reliable source of income imposes a sense of financial insecurity to the unemployed youth, thus making them to stay single as a coping strategy towards unemployment. The minority of the married youth were engaged in petty trade, received financial support as remittance from relatives and others were supported by friends and charity organisations.

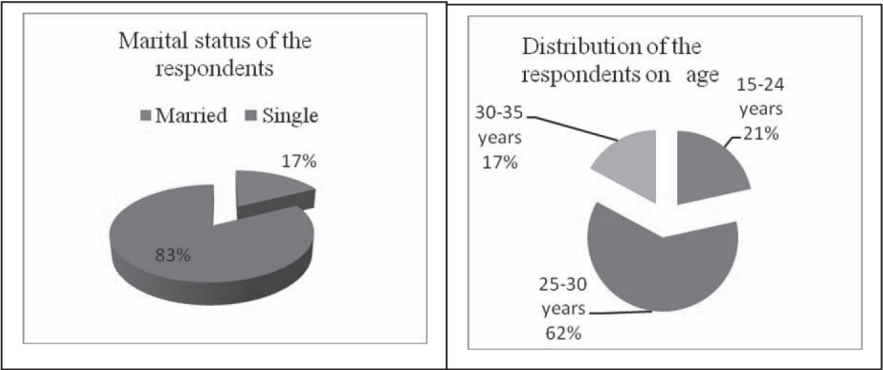


Figure 1: Distribution of the respondents based on age and marital status

4.2.3 Gender Profile of Respondents

Respondents were distributed in terms of gender. Of the 200 respondents, 118 (59 per cent) were male and 82 (41 per cent) were female as shown in table 4.

Table 4. Gender profile of respondents

Gender of the respondents	Frequency	Per cent
Male	118	59
Female	82	41
Total	200	100

This implies that on one hand the male are more mobile compared to females while on the other hand females were not willing to volunteer information regarding the problem of unemployment. Cultural factors could also be cited as regulating the mobility of the female graduates, thus limiting their presence in the streets.

4.3.1 Whether Graduates Work for Pay

The young graduates gave information as to whether they were working for pay. Slightly above of 108 (54 per cent) of the youths are not working for pay or profit. The rest 92 (46 per cent) were working for pay as shown in table 5.

Table 5. Work for income

Receive income from job	Frequency	Per cent
Yes	92	46.0
No	108	54.0
Total	200	100.0

The responses show that the youth are victims of income poverty as most have accepted to engage in petty business, receiving little pay offered by the informal sector. Despite the fact that the informal sector does not guarantee job security and career advancement in Tanzania, a majority of the unemployed youth have adopted this system as a livelihood coping strategy. During the FGD, it was noted that the graduates who are not employed but have business acumen could not fulfil their goal of generating income to meet their basic needs due to inadequate capital and a competitive business environment. The notion held by a majority of graduate youth regarding employment is that a college education directly guarantees him/her a well-paying job. That is the reason why most graduates are clustered in streets anticipating securing a well-paying job. It was also noted that information sharing, learning and networking is also a problem. As Semboja (2007:9) noted the economy of Tanzania has recorded impressive performance in terms of GDP, but the growth of the economy is not pro-employment, and has not led to a substantial increase in job creation. In addition, he argued that the fresh entrants in the job market are half-cooked, which impairs their competitiveness in the labour market. This view is supported by The World Youth Report (2007:23) which noted that youth who have a high level of education tend to find a job which matches with their qualifications, but the available jobs at the labour market do not match the acquired skills by the youth; hence, there is a mismatch between the skills and the requirement of the employers thereby keeping the majority of the youth out of the labour market.

The young graduates were asked if they were ready to work without pay during the period of their unemployment. Data in Figure 2 reveals that 102 (51 per cent) of the respondents said 'Yes', that they are engaging in non-paying work, while 98 (49 per cent) said that they were not engaged in non-paying/ jobs.

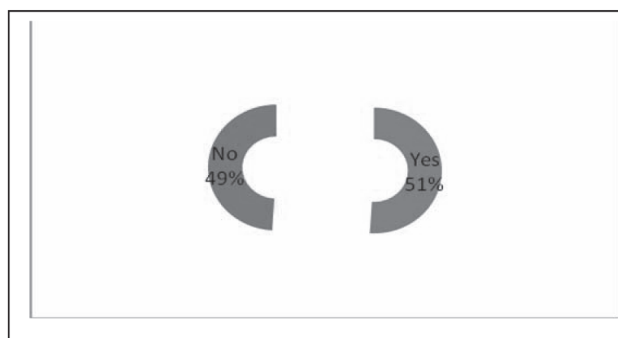


Figure 2. Working for non-paying work

The findings imply that the youths are very vulnerable to unemployment and are intolerant. They prefer to take part in voluntary activities which pay them less than if they signed contracts which guarantee them relatively better wages. One young graduate, when interviewed, asserted that:

City jobs are hardly bad. But the reason I would have taken one of those jobs is that big city employers, unlike most, still take untrained, inexperienced graduates, at least if you have the right degree. But if you want to find a job in the media, in politics, in the charitable sector, or in essentially anything else, up to and including serving in a bar, you need experience. It's the classic situation: to get experience, you need a job, but to get a job, you need experience. The solution, inevitably, is that people end up working for free.

It is interesting to note that a graduate's parent's occupation and level of income as well as family size are important determinants of the extent to which graduates aggressively look for jobs. Those graduates from middle income or affluent families or with no dependants were not aggressively looking for jobs compared to those from low income families. One possible explanation is that these graduates from middle and high income families continue to receive material support from their parents. A view that is supported by Mukyanuzi (2003: 20) who did a similar study among secondary and university leavers in Tanzania. He established that parent's education, marital status and family size of the secondary school leavers as well as university graduates are influencing factors in job searches.

4.3.2 Time in Which the Job Was Sought

Respondents who belong to the young graduate group were asked about the time they spent in job searches. The results show that 192 (96 per cent) of the graduates had been searching for jobs for two years, 6 (3 per cent) said they searched for jobs for months and the rest 2 (1 per cent) said they sought for jobs for weeks, as shown in table 6.

Table 6. Job search duration

Length of time	Frequency	Per cent
Weeks	2	1.0
Months	6	3.0
Two Years	192	96.0
Total	200	100.0

The findings show that the unemployment problem in this youth group is acute and long term. These graduates may be structurally unemployed because there are either not enough jobs to go around, or they may fall within the special type of structural unemployment because certain skills are either required or the jobs are in a different area. There is also a possibility inadequate job opportunities to cater for all graduates in the labour market. During the interview, one of the respondents reported that “The system is dominated by corruption and nepotism. Regardless of one’s profession and skills acquired at college, what matters much in the contemporary labour market is, who knows who”.

Prevalence of this situation may lead the youth to seek jobs for quite a long period of time. Employers also feel that the return to employing a graduate is low, given that graduates require substantial investment in on-the-job training before they provide any returns to the firm. It is necessary for graduates to have a more realistic view of what they can offer and what they can expect from their first jobs, given their limited training. The Director for policy and advocacy, at the Association for Tanzanian Employers (ATE), laments that: “the youth training is not practically oriented; as a result employers find it costly to engage such a workforce as they are forced to incur extra costs to retrain them”.

The Director also noted that the majority of the educated job seekers lack soft skills (communication skills, confidence, and assertiveness). Due to this deficiency, they are uncompetitive compared to their foreign counterparts particularly from the east African member states, notably Kenya and Uganda.

The researcher found that employers in the formal private sector perceive most of the current youth graduates to be too lazy and uncompetitive to work. However, despite the Government efforts to stimulate private sector investments, the graduates are inclined to work in the public sector where salaries are lower but job security is high. Though not proved, the researcher suggests that there could be justification for the claim that Tanzanian graduates take time to wait for public sector jobs. According to the National Employment Creation Programme (2008), the private sector is the biggest employer, with nine out of ten jobs being generated in the private sector. But the informal sector is the leading job creator for both wage employment and self-employment. As seen in Figure 3, the private sector has sporadically grown during the past decade and therefore has the potential for creating more jobs for educated youths.

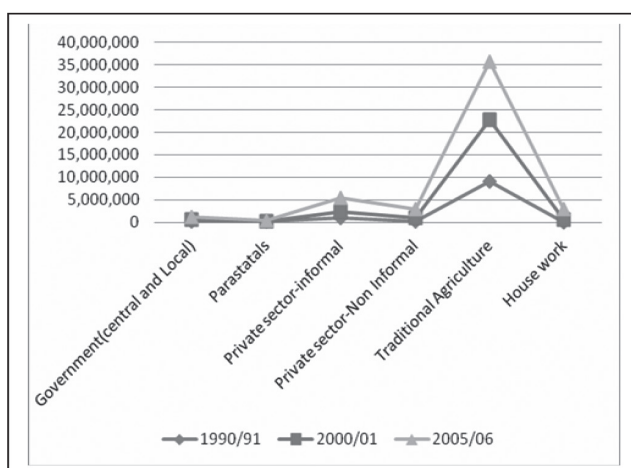


Figure 3. Employment trends by sector in Tanzania

SOURCE: National Employment Report, 2007

The other striking issue that emerged in this study is that the labour laws act as a restriction on job creation in the private sector. Tanzania's Employment and Labour Relations Act, 2004, restricts the private employers from terminating an employee's contract when the business is in financial crisis or when an employee's performance is unsatisfactory or below expectation. The Social Security Act requires every employer to remit employee deductions (normally 10 per cent of the gross salary) to the social security schemes. So the labour market laws not only discourage growth of small business but also reinforce informality in the private sector.

When asked why they have been unsuccessful in securing a job, the overwhelming majority of university leavers feel that the labour market does not offer adequate job opportunities that can be applied for. The other issue mentioned was that social networks and social status have served as an

important factor in finding good jobs in the private and public sectors. It was pointed out that the ease with which a graduate secures a job is highly dependant on the social networks established by the job seeker. This may plausibly explain why graduates from less privileged rural families are unable to find job early enough compared to their counterparts from affluent families. On a number of occasions, the media had blamed the Government for favouritism, particularly in securing placement in key Government institutions, where the few available jobs are in most cases secured by graduates who are members of the elite's families. In this case political influence is used to place their children and relatives to relatively better paying jobs in the public sector.

Data in table 7 shows that above 40 per cent of the graduates are of the opinion that jobs are not enough; that is why it is taking them too long, almost about three years to secure the jobs. However, lack of experience among graduates has also been mentioned by almost one-third of the graduates. Most jobs advertised through the media require the applicant to possess experience of not less than three years, an attribute that is deficient among most young college graduates. About 5 per cent of the graduates pointed out that there is discrimination in the job market based on ethnicity and the job seeker's socio-economic status in the society. The university graduates were also asked about the effectiveness of university education in preparing them for the job markets and this in some cases mirrored the weaknesses the respondents had raised. The respondents were sceptical regarding the quality of education received in the university in enhancing the chances of success in the labour market.

Table 7. Reasons given for lack of success in securing a job (n=200)

Responses	Frequency	Per cent
Jobs are not enough	82	41.0
I am not qualified	24	12.0
I don't have networks	53	26.5
I don't have the right skills	18	9.0
I don't have enough education	23	11.5
I don't have experience	58	29.0
I don't do well in interviews	19	9.5
I have been discriminated against	8	4.0

The graduates feel that they do not possess adequate qualification to enhance their employability in the extremely competitive labour market. Interestingly, higher education training in some countries tends to reduce job search and enhance employability. In Tanzania, training does guarantee success in the job market. It is common to find graduates taking short courses in ICT and English or pursuing advanced studies in the foreign universities to maximize their prospects for employment. However, it was found by the researcher that graduates in certain fields

of studies, particularly social sciences, take relatively longer to secure jobs compared to their counterparts in medicine, pharmacy, geology, wildlife, petroleum engineering, environmental engineering as well as computer software engineering. The plausible explanation is that very few students would like to enrol in science programmes while at the same time opportunities are plenty in those fields of study. A five-point scale as shown in Figure 4 was used to measure the attitude of the graduates towards the extent to which the education system prepares the graduates for the job market. The scale shows that the education system is fairly good because more than a half of the graduates agreed with it and only a third of the graduates disapproved. The remaining 15 **per cent** of the respondents neither agreed nor disagreed with the existing education system. This result should be treated with a lot of caution because graduates do not always feel better if the education system they went through is criticised.

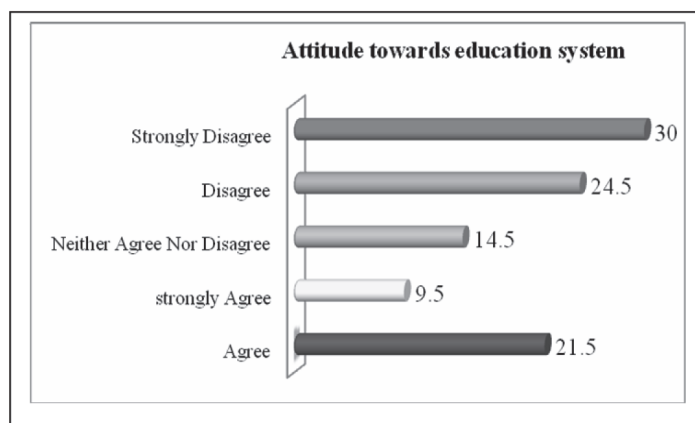


Figure 4. Whether the education system prepared one for the job market

Issues that were raised by respondents concerning inadequacies in the education system include insufficient lecturers, scarcity of teaching aids, imparting learners with inadequate practical skills, incompetent lecturers and limited use of ICT in training. One interesting issue that emerged in this study is that the graduates have not been trained in important skills like interviews, job searching techniques and the writing of application letters which consequently impair their chances in the labour market. When labour market experts were interviewed by the researcher, they acknowledged that higher learning institutions are not doing enough in terms of preparing their students to compete in the labour market. It was noted that universities have not conducted tracer studies to determine employability of their graduates and revise their curriculum based on the needs of the employer. Dr. Tumaini Katunzi, who is a senior lecturer in the Open University contends that "...the big problem in Tanzania is that there

is no strong collaboration between industry and the training institutions. As a result, curricula used in the training institutions do not reflect the changing needs of the employers....”

Dr Julius Tweve, an expert from the Tumaini University, laments that “if you look at most of the curricula, nowhere is it stated that potential graduates should acquire knowledge on interview skills or should be thoroughly taught about the labour market in Tanzania.”

Joseph Sitta Nganga, who is chief economist for the Ministry of Labour, Employment and Youth Development, acknowledges that skills mismatch is a constraint to Government efforts to eradicate youth unemployment. The Ministry has engaged a local consultant to determine the skills gap between what is offered by higher learning institutions and what is required in the labour market. The consultant will also recommend to the Government the appropriate steps to reform the curricula used in the universities. The study is ongoing and expected to inform evidence-based policies in higher education. The Ministry is currently identifying the underdeveloped sectors with the potentials of job creation and to stimulate private sector investment to spur growth and employment. These sectors include transportation, fishing, livestock, and tourism, manufacturing and agro-processing.

The declining public expenditures on vocational and higher education were also mentioned by labour market experts to be one of the setbacks in implementing employment policies in Tanzania. This is an important area for adequately preparing the young people for the labour market.

Lack of information on available opportunities was also mentioned by respondents as an important factor for unemployment. The overwhelming majority of graduates are unaware of the alternative sources of information for the jobs. They increasingly tend to apply for job vacancies advertised in the newspapers whilst overlooking other important sources of information like private recruitment agencies, Tanzania Employment Service Agency, social media networks or blogs and online employment portals. Many of the employment portals belong to (or are hosted by) non-governmental organizations. The respondents were asked how they searched for jobs in the previous week (table 8) and responded as follows.

Table 24. How did you look for work during the last week (n=200)

Responses	Frequency	Per cent
Wrote letter	70	35.0
Applied in person	55	27.5
Friends and relatives	54	27.0
Government employment agency	16	8.0
Private employment service	27	13.5
Tried to start own business	21	10.5
Other	3	1.5
No answer	29	14.5

Data in table 8 reveals that a minority of graduates make use of private (3.5 per cent) and public (8 per cent) recruitment agencies. Most of them rely on information from newspapers and friends, ignoring alternative sources that could be useful to them. Under Tanzanian law, only Government institutions and parastatals are required to advertise the job vacancies. Private institutions do so on their own will. Most big private employers outsource the recruitment services for professional jobs to international and local recruitment agencies. The recruitment agencies require potential job seekers to register on their websites and attach their CVs. The recruitment agencies will match the jobseekers with the employer's needs based on their academic qualifications, experience and performance in interviews. In taking cognizance of this shortcoming, the Government created the Labour Exchange Centre (LEC) in 2001 which was transformed into the Tanzania Employment Service Agency in 2003. Its core mandate is to offer labour market information, training and placement service to unemployed youth. From the focus group discussions that were held with TaESA's Senior Job Analyst, TaESA's Zonal Director, one job seeker and one labour market expert, the following issues emerged.

For the past five years TaESA has been registering job seekers and offering them free training on interview skills, confidence building and salary bargaining techniques. After training, the job seekers are referred to relevant employers based on identified needs. TaESA has a list of all job vacancies from different employers who visit TaESA to seek qualified employees. Although the registration is free and voluntary, only 553 graduates have registered compared to more than 800,000 graduates currently seeking jobs. This is a small number compared to TaESA's target of registering 10,000 graduates in Dar es Salaam alone as in their strategic plan. Out of 553 registered graduates only 82 found jobs. The under-subscription of potential job seekers can be explained in many ways. One is that many job seekers are not aware about the existence of TaESA and its role in assisting the job seekers through training, labour advisory, job matching and placement services. TaESA has not vigorously embarked on advocacy to enhance its visibility to job seekers. TaESA could use social

media platforms such as Face Book and Twitter to reach the majority of unemployed graduates. TaESA could also forge strong alliances with the higher learning institutions and non-governmental actors. It was also revealed that the graduates are not also willing to search for information about the opportunities apart from relying on newspapers which cover very little on labour market issues.

Only 10.5 per cent of the respondents were engaged in self-employment. Very few graduates are ready to start their own business even though some of them were taught entrepreneurship and business strategy courses during their university studies that equipped them with business skills. Entrepreneurship skills enhance a graduate's creativity, confidence, cognitive ability and risk taking.

4.3.3 Graduates' Views on Alternative Employment

Graduates' view was sought on whether they would settle for alternative employment if they failed to secure a decent office employment. As shown in table 9 below, 86 (43 per cent) of the respondents said they would take any work, 69 (34.5 per cent) would settle for other works but of the same or higher salary, 35 (15.3 per cent) would settle for other works and 10 (5 per cent) said no.

Table 9. Settling for alternative employment

Responses on alternative employment	Frequency	Per cent
Yes, any work	86	43.0
Yes but only same or higher salary	69	34.5
Yes, other	35	17.5
No	10	5.0
Total	200	100.0

The findings imply that unemployment is perceived negatively by most young graduates. Therefore, youth graduates are ready to settle for any job provided that it keeps them busy while in the process of searching for a better job.

4.3.4 Graduates' Views on Finding Assistance from Special Agency to Start Business

Graduates were asked as to whether they have ever contacted a special agency to help them start their own business. Table 10 shows that almost about three quarter of the respondents 149 (74.5 per cent) reported that they had never sought help from a special agency, while 51(25.5 per cent) said they had had assistance.

Table 25. Graduates' views on using assistance of special agency to start business

Responses on special agency sought to start business	Frequency	Per cent
Yes	51	25.5
No	149	74.5
Total	200	100.0

The findings indicate that young graduates have inadequate knowledge of the existence of agencies that are likely to assist them in securing jobs. This situation limits the graduate's possibility of securing a decent office job soon after graduating from college.

Apart from absence of supportive regulatory environment for the youth to start their own businesses, the culture of entrepreneurship is not cultivated among the youth. There is also a possibility that most educated youth in Tanzania harbour a negative attitude towards self-employment. Even those who have pursued entrepreneurship programmes at college level have no aspiration of starting their own business. Although not empirically proved, career choices amongst educated youth in Tanzania is greatly influenced by family background and peer pressure.

4.3.5 Awareness of Youth Employment Creation Program

The young graduates were asked if they were aware of any youth employment creation program being implemented in Tanzania. The findings show that 105 (52.5 per cent of the respondents) did not know the existence of the program. Nearly half (47.5 per cent) of the respondents said they knew of the existence of such employment programs as shown in Figure 5.

The findings show that there is opacity in the public sectors in the sense that important job information, sites and entities for developing career and recruitment services are unknown by young graduates. The fact is that there is no coordination between the educational institutions and the labour market.

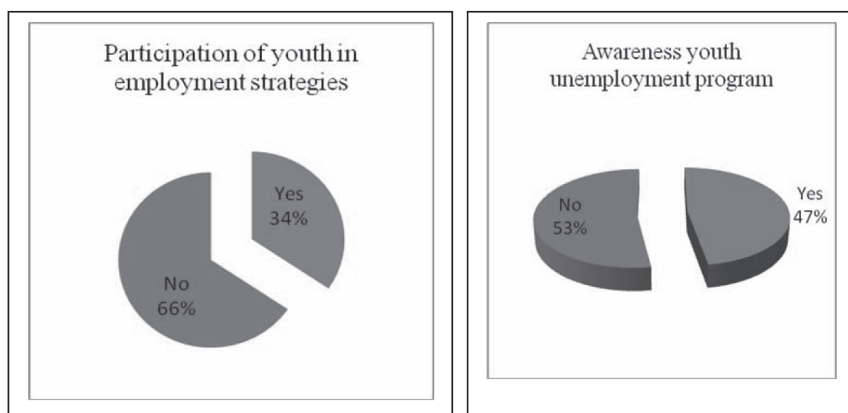


Figure 5. Awareness of any youth employment creation program

Conclusions

The findings show that policy responses to the problem of youth unemployment are ineffective because they do not reflect the expectations and aspirations of young people since they are designed by adults who have little understanding of the aspirations of youth with no input from the youth. Furthermore, they do not clearly assign responsibility for implementation, and lastly they lack mechanisms to monitor and evaluate progress in implementation.

Recommendations

The study makes a number of recommendations that will guide policy and establish components necessary for the effective design and implementation of policy directions to make graduates employable, notably that the Government should:

- Prioritise vocational training to enable youth acquire skills needed in the labour market;
- Enhance self-employment opportunities by providing credit to the youth for entrepreneurial activities;
- Streamline labour market regulations to promote job creation;
- Conduct frequent empirical studies to establish the magnitude of the youth unemployment problem in the country;
- Enhance the participation of youth in launching programs to address youth unemployment in the country.

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CHAPTER 8

The Impact of Labor Market Institutional Flexibility on Employment Creation and Employees' Job Sustainability: The Case of the Banking Sector in Tanzania

*Ashatu Kijaji**

1. Background

The Tanzanian economy has evolved in a process of socio-economic and political transitions that have direct influence on employment creation and employees' working conditions, particularly employees' job sustainability. With respect to this, its labor market institutions have passed into significant different phases of policy reforms since independence. At independence in 1961, Tanzania inherited a conventional labor market policy where all matters pertaining to the labor market conditions were determined by the market forces (Stevens 1994). The second phase of Tanzanian labor market institutions is during a period when Tanzania became a socialist country in 1967. Being a socialist country, Tanzania needed to re-design its labor market policy so as to put in place rules of equality, which is one of the fundamental aspects of a socialist community that aims to reduce inequality of income among employees and increase employment opportunities for all skilled local workforces. Thus, the employment scope which includes pricing, allocation, training and the wage bill was controlled directly by the government (Kahyarara 2002).

In addition, by the mid 1980s, the government set the entire wage structure in the public sector (Mans 1994) and put forth a significant influence on wages in the private sector towards attaining minimal wage differentials among employees with diverse characteristics, mostly those related to human capital. Towards the end of the 1980s, however, Tanzania began to experience a significant economic stagnation and social problems. For example, wage structures that were governed by the central government in both public and private sectors did not create competitive incentive systems within the labor market (Jackson 1979; Knight and Sabot 1990; Mans 1994). To combat these issues, in the early 1990s, the government decided to liberalize its economy and reform its institutions in order to attract both foreign and private local investments.

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The introduction of the famous post-Ujamaa Investment Act of 1997 was intended to encourage free market and trade liberalization within Tanzania. Investment by foreign-owned multinational companies (MNCs hereafter) into various private sectors, such as mining, tourism, fishing, banking, and agriculture, served to bolster the country's reforms by creating employment opportunities for the local economy. This period of 1990s can be categorized as the third phase which characterizes the Tanzanian labor market institutions. It is the one that exists currently in the Tanzanian economy where we find a greater freedom of employers in managing the labor market with good opportunities for skilled employees to choose employers of their choice.

In the wake of free market economy, employment laws, acts and government directives that were exercised during the controlled economy were considered to be a hindrance in attracting foreign and private local investors as they were "too old, too many and had too many amendments making their usage very complicated for employers". Reciprocating this challenge, new laws were enacted, namely, the Employment and Labour Relations Act No. 6 of 2004 and the Labour Institutions Act No. 7 of 2004. These laws place much emphasis on competition and productivity as the major determinants in regulating the labor market in the free market era. An example of the new dictates of the two Acts can be seen in section 3(a) of the Employment and Labour Relations Act, which highlights the importance of promoting economic development through efficiency, productivity, flexibility, and social justice (Ackson 2009). Since the focus is on labor market institutional flexibility on employment creations, it is imperative now to give the meaning of labor market institutions as conceptualized in this study.

Labor market institutions are defined as the set of rules, regulations, enforcement laws, and organizational patterns governing the labor market. They can be classified as wage bargaining institutions, employment protection regulations, labor taxation and different government directives pertaining to the behavior of the labor market in any country (Stephen, Luca and Wolfgang 2005). Together with some basic civil rights protection, labor market institutions include three bodies of law, namely, employment law, collective relations law and social security law (Djankov and Ramalho 2009). Employment law, which is the central focus of this proposal, governs the whole process of hiring and firing employees.

1.1 Problem Statement

The change in the institutional set-up of the labor markets has affected the rights of workers, for example, with regard to hiring and firing. The role and positions of representative organizations has also changed as part of a wider restructuring of industrial relations (Van der Geest and Wignaraja 1999). In these regards, these institutional reforms tend to have a direct effect on employment and the demand for labor in Tanzanian labor market.

Nevertheless, how these reforms act either as challenges or opportunities in the labor market depend on the pro-active responses by the labor market stakeholders, including trade unions, government and employers' organizations, in order to ensure that the benefits of these policy reforms are positive, widely distributed and that social costs to both employers and employees are minimized.

While creating more favorable environment for private sector expansion, Tanzania, like most developing nations, still has weak labor market institutions to protect and govern the rights of its local workforces (Ackson 2009; Hussein 2011). This is due to the fact that institutional policies governing employment systems in Tanzania are designed not to intervene directly in the activities of these actors, for fear they would pull out their investment in the country (Newenham-Kahindi 2009). Semboja (2007) argues that there is lack of an enabling environment for paid employment creation in the Tanzanian formal private sector. Employability in the formal private sector needs not only appropriate skills and training but also good public policies which lead to new employment opportunities for the local workforces.

These aspects of Tanzanian institutions with respect to managing labor market signify both opportunities and challenges that employees and potential employees in the country face during the present period when the country is undergoing distinct institutional and economic reforms. However, the literature and empirical studies on institutional reforms of the labor market and employment in Africa and Tanzania in particular is limited. Thus, the question on how institutional flexibility in Sub-Saharan Africa and Tanzania in particular has affected labor markets and employment opportunities remain unanswered despite the institutional reforms taking place in the country. In this respect a detailed study is called for towards addressing the impact of institutional flexibility on *employment creation* and *employees' job sustainability* in Tanzanian labor market. This paper intends to address the following research questions: how is the labor market institutional flexibility impacting on employment creations in Tanzania? How is the labor market institutional flexibility impacting on employees' job sustainability?

One of the institutional reforms that has received attention among labor market actors is deregulation of the labor market institutions featured with the labor market institutional flexibility (Anner and Caraway 2010). The term flexibility has no widely accepted single definition (Monastiriotis 2006), but can simply be interpreted in terms of degree of institutional rigidities (Arulampalam and Booth 1998). This paper takes a view of a macroeconomic literature that considers labor market flexibility in terms of strictness of the labor market institutions (Monastiriotis 2006). The objective of these flexibilities is to minimize strictness from the regulatory bodies in order to create an attractive business environment which would

allow the private business sector to flourish. Therefore, in this paper the terms labor market institutional reform and labor market flexibility are sometimes used interchangeably since the latter is a reform component of the former.

1.2 Methods

Due to both the novelty of the phenomenon under investigation and usage of existing theories to study the phenomenon, this paper has adopted an abductive research approach (Dubois and Gadde 2002; Gyöngyi and Spens 2005). Accordingly, given the complexity of questions and impacts of labor market institutional flexibility on employment creation and employees' job sustainability, greater use of qualitative research methods seemed to be a highly appropriate research strategy to employ. In the wake of free market economy in the 2000s, the banking sector has become the most competitive sector in managing labor market conditions in Tanzania. With these distinctive attributes, employees working in this sector together with prospective employees provide unique cases to study and compare on how the flexibility of labor market institutions contribute to employment creation and the challenges they are facing in their day to day interactions in the country's competitive labor market. Accordingly, entrepreneurs who are the beneficiaries of financial services, provide an excellent case to explore how the flexibility of labor market institutions have resulted in increase in outreach activities of players in the banking industry and how these activities are helping entrepreneurs to create employment opportunities in the Tanzanian economy. Purposive sampling technique was used in selecting the research informants. The research informants are 10 employees working in three banks operating in Tanzania, 10 labor market entrants and 10 entrepreneurs who are the beneficiaries of financial services from players in the banking industry.

Both primary and secondary sources of data were employed in this paper. Semi-structured interviews, mainly face-to-face interviews, and document reviews were employed to collect data. The use of multiple methods of data collection is of particular importance in the case study method, as we need to check and validate information from various sources and examine it from different angles (Ghauri and Gronhaug 2002; Hussein 2009). Even though the study is guided by the abductive research approach (Dubois and Gadde 2002; Gyöngyi and Spens 2005) that puts more emphasis on theory than is suggested by a pure inductive approach, the analysis of data followed both abductive and inductive approaches. In this regard, the analysis of data was guided by the theory at same time allowing the data to speak. In the abductive approach the analysis of data involves deriving constructs and themes from the theory while in inductive approaches, constructs, themes and code categories are left to emerge from the data (Dubois and Gadde 2002).

2. Literature Review

2.1 Theoretical Foundations

This section presents the underlying theory of institutional changes and its impact on significant social constituencies. Institutions are ‘humanly devised constraints that govern political, economic and social interactions and consist of both informal institutions (e.g. customs, traditions and code of conduct); and formal institutions (e.g. constitutions, laws and regulations, property rights) (North 1991). Similarly, Scott (1995) defines institutions as ‘regulative, normative, and cognitive structures and activities that provide stability and meaning to social behavior’. It is argued that North’s distinction of institutions into formal and informal is complementary to Scott’s categorization of institutions into regulative, normative and cognitive (See table 1).

Table 1. Dimensions of institutions

<i>Degree of Formality (North 1991)</i>	<i>Examples</i>	<i>Supportive Pillars (Scott 1995)</i>
Formal Institutions	Laws Regulations Rules Policies	Regulative (Coercive)
Informal Institutions	Norms Cultures Ethics	Normative Cognitive

SOURCE: Adopted with modification from Peng et al. (2009)

This study focuses on formal and regulative institutional elements which emphasize rule-setting, monitoring and sanctioning activities. In the literature, the importance of institutions for both employment and unemployment is particularly tied to their implications for demand for and supply of labor, price and wage formation, and the efficacy of search and matching processes in the labor market (Campbell and Stanley 1995; Davidson 1990). From the theoretical lens of institutional theory, organizations are captives of institutional environment where they exist, meaning that organizations are affected by common understandings of what is appropriate and fundamentally meaningful behavior (Tolbert and Zucker 1983). Institutions form the foundations of understanding the environment surrounding organizations as they offer a framework consisting of rules, normative behaviors, and beliefs which explain the practicality for organizations (Hoffman 1999). Institutions consist of regulative, normative and cultural-cognitive elements which when combined together with

associated activities and resources provide stability and meaningful social behavior for organizations.

Institutional theory highlights blueprints for organizing by specifying the forms and procedures an organization of a particular type should adopt towards gaining legitimacy in its environment. Institutions are viewed as formal organizations and formal rules that help create and shape interests, influence the goals of actors and constrain the options open to individuals and organizations to achieve those goals. According to institutional theory, labor market institutions are seen as an external source of imperfections, with the decisions made by politicians forming the original of these institutions. Additionally, labor market institutions reflect rent-seeking and distributional demands by collective group of social constituencies (Deakin 2009). From policy point of view, a study of institutions provides a room to explore and understand why certain outcomes are more likely to emerge than others and how pleasing or unpleasing outcomes might be realized. As such institutional configurations have direct effects on organization behaviors and it creates 'path dependency', with various paths having different implications for the organization's survival and growth.

Institutional theory adopts an open system perspectives where actors in particular environment are influenced by their environment. Institutions also organize the opportunities that are available to organizations and define their social roles and interactions (Lorber 1994). It has been argued that the structure and behavior of any organization is derived from the institutional environment in which these organizations operate (Scott 1995). Moreover, institutions are self-reproducing whereby the rules that they bring about are enacted and changed over and over depending on the situations characterizing that particular environment. Commenting on a similar issue, Friedland and Alford (1991), point out that obvious change occurs when different institutions come into conflict with each other; such that changes in one institution tend to lead to changes in others and it has direct effect on the behaviors and strategies of the market actors in that environment.

However, such institutional changes are often fiercely contested by the social actors in that particular environment. Many institutional theorists posit that the reason behind this intense dislike of institutional changes is that they can be modified to favor one group of social actors on one hand and on the other may yield unexpected results. This is true because institutional formation and change are the outcomes of political struggle among multiple social constituencies with unequal power. Albeit the contestations by the social actors, institutions are not immutable to changes that are happening and characterizing the world today. By taking institutional perspectives into consideration, the role of institutional theorists is to guide and explain the process of change that may lead to a win-win situation for all labor market actors.

Institutional change has been said to be the product of endogenous forces that are related to the historical evolution of the field itself. As such they produce both intended and unintended outcomes that delineate the ends and shape the means by which future economic and political interests are determined and pursued (Leblebici et al. 1991). In similar vein, Dacin, Goodstein and Scott (2002) argue that institutional changes create unique challenges for the maintenance of organizational integrity and acceptance by potential stakeholders. By conventional wisdom the rapid labor market institutional changes should be accompanied by changes in both opportunities and challenges to social partners (namely, employers, employees and potential employees) in that particular environment.

Formal labor market institutions consist of all regulative policies which influence the interactions between labor supply and demand. Among others, they consist of policies of hiring and firing of employees (which is the focus of this study) to ensure a minimum standard of living, avoid abject poverty, sustain consumption and reduce both risk of getting unemployed and the duration of unemployment. In this respect, countries have established a system of laws intended to protect the interests of both employers and employees towards assuring that an acceptable minimum standard of living for the population is attained. The labor market institutions have a tradition of playing a key role in operating and supervising the labor market conditions in any country. In this regard, labor market institutions are supposed to help achieve socially desirable redistributive goals in the labor market (Chong and Calderon 2008). As such any changes in these institutions have been said to have both direct and indirect effects, be it positive or negative effects to potential stakeholders in the labor market.

The next section reviews various empirical works that have been done in the area of labor market institutional reform and its impact on various groups of players in the labor market. However, it suffices to note that little research, both empirical and theoretical, has been done in Sub-Saharan Africa. Thus these reviews are based on works done in industrialized and emerging economies. Nevertheless, these studies provide a base line towards our understanding of the possible effects of labor market institutional flexibility on employment creation and employees' job sustainability in Sub-Saharan Africa and Tanzania in particular.

2.2 Conceptual Foundations

The reforms of the labor market institutions and rising competitive pressure have a direct influence on the way companies behave in the market (Grajek 2003), through changing the effect of market forces and giving a different set of check and balances (Lucifora 2000). In this way, labor market reforms postulate both opportunities and challenges for the employers, employees and job seekers in the labor market. The microeconomic literature on countries that pass into various phases of institutional reform

suggests a profile of winners and losers of these reforms, in terms of employment and earnings mobility (Boeri and Terell 2002).

There are inconclusive results in favor of either labor market regulations or deregulations to unemployment rates in various parts of the world. Various authors point out that the study of labor market institutions and its flexibility is a controversial topic. For instance, advocates of the skeptical view on the role of openness of the labor market institutions fear that working conditions for disadvantaged group like unskilled workers will deteriorate and many jobs of these groups will disappear. In contrast, advocates of the market oriented view argue in favor of a less regulated labor market because labor market regulation comes as a cost for employers, raises labor costs and unemployment (Potrafke 2010). However, structural shifts of the policies result in structural unemployment either for the short- or long-term in countries that undergo reforms of major macroeconomic policies. Structural unemployment refers to the mismatch of job vacancies with the supply of labor available as a result of the shifts in the structure of the economy (Lindbeck 1999).

Labor market institutional flexibility, which is one of the major recipes of moving from a planned economy to market oriented economy, involves a substantial reallocation of labor (Boeri and Terrell 2002). One of the major objectives of labor market institutional flexibility is to create a favorable investment climate in host countries in order to attract more foreign and local private investors. It has been suggested in the literature that labor market flexibility is one of the indicators of good governance which in one way helps countries to attract Foreign Direct Investment (FDI) (Kamoché and Harvey 2006) and other private local investors. Increase in private investment actors, both local and foreign as a result of labor market institutional flexibility would result in creation of employment opportunities. It creates direct and new employment opportunities to local skilled workforces through Greenfield investment; at the same time, it creates employment indirectly through forward and backward linkages with domestic firms (Asiedu and Gyimah-Brempong 2008). Previous studies found that there are more job opportunities created in the country by foreign and local private investors than those with public companies only.

The microeconomic literature on countries that pass into various phases of institutional reform suggest a profile of winners and losers of these reforms, in terms of employment and earnings mobility (Boeri and Terell 2002). Many people in those countries experiencing such reforms suggest that these institutional reforms are incomplete and as such youth skilled workforces are still at cross-roads (Semboja 2007). From the study on unemployment effects of labor regulations around the world, Feldmann (2009) found the significant effect of labor market regulations on young people's and women's unemployment. Commenting on the same, Nesporova (2007) argues that in most transition economies that are

undergoing institutional reforms, young people without work experience and women are the hardest hit by unemployment. From the point of view of Human Capital Theory, it has been argued that in the competitive labor market potential employees without experience that are considered important by employers face challenges not only in securing employment positions but in sustaining any type of fulfilling career (Bynner and Parsons 2002).

Though the need for both economic and institutional reforms in Sub-Saharan Africa is beyond doubt, it has a major effect on the demand for labor and the level and quality of employment. In this respect, creation of employment opportunities, which is one of the positive sides of these reforms, requires not only appropriate skills and training, but also good and responsive policies (Van der Geest and Wignaraja 1999; Semboja 2007). Accordingly, the World Bank literature cautions on the effectiveness of labor market institutional reforms in developing countries with the view that laws in these countries are ineffectively enforced, and so economically inappropriate (World Bank 2005). For that matter any institutional reforms to be implemented in these countries may in some way or another lead to unexpected outcomes such as poor employees' working conditions and creating employment opportunities for the few elite groups of people. This is in support of the claim that in developing countries the discussion should not focus on either regulating or deregulating but on how these countries can best promote labor market institutions for the betterment of the society at large (Fenwick et al. 2007; Lee, McCann and Torm 2008).

Maintaining one's position as a result of employment experience is becoming increasingly important in today's competitive labor market. Under such a situation, young labor market entrants without employment experience are at risk of failing to secure employment (Coles 2000). This highlights the existence of an enforcement gap in developing countries' labor market institutional reforms that needs to be addressed by evaluating the impact of these reforms on key areas such as employees' job sustainability and employment creation.

The above discussion on the literature pertaining to the impacts of labor market institutional reforms on employment creations and employees' working conditions is summarized in the following figure:

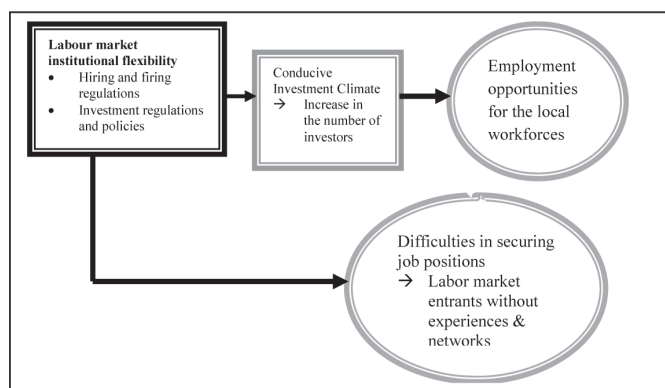


Figure 1. Conceptual framework

SOURCE: Author's construct, 2013

2. Data Analysis and Presentation of Findings

In presenting the findings, a narrative approach (Ghauri 2004) was employed so as to describe and present the data in a systematic form. The narrative approach is defined as a one way of making sense of process data through stories, meanings, and mechanisms. This implies that the narrative approach puts more emphasis on constructing meaningful details from the raw data. Through narrative approach, I focused on identifying specific critical issues such as the influence of labor market institutional flexibility (the formal ones) on employer-employee relationships in Tanzanian labor market; employees' understanding of their rights in the labor market. Throughout the process I managed to identify new categories that emerged from the data, one of them being '*permissiveness*' of Tanzanian labor market institutions in managing employees.

The literature review has shown how institutional reforms at the macro level have led to the restructuring of the labor market institutions towards being more flexible in dealing with employer-employees' relationships and its impacts on employment creation and employees' job sustainability. It has further illustrated that theoretical and empirical literature on labor market institutional reforms in Africa and Tanzania in particular is very limited. As such the main focus of this section is to explore and analyze the impact of labor market institutional flexibility on employment creation and employee's job sustainability in the Tanzanian free market economy by taking the banking industry as a case study.

3.1 Impact of Labor Market Institutional Flexibility on Employment Creation

How has labor market institutional flexibility impacted on employment creation for the local skilled workforces in Tanzanian labor market? Both

secondary and primary data sources were used to analyze the impact of labor market institutional flexibility on employment creations. Three indicators of employment creation were found from documentary analysis, namely increase in the number of players in the banking industry, number of employees employed in the banking industry, and banks' geographical coverage. From interviews, one indicator, namely outreach-activities of key players in the banking industry, was found to explain employment creation in post-reform era in Tanzania. These factors are presented as follows:

3.1.1 Number of Players in the Banking Industry

Labor market institutional reforms are one of the important indirect sources of employment opportunities in various parts of the world. This is because institutional reforms do not create employment opportunities but create favorable environment for private companies, both local and foreign, to come and invest in the country. This means that labor market institutional reform is not an end in itself but it is a means to an end.

Table 2. Players in the banking industry in the pre- and post-reform periods

No.	Pre-reform players	Post-reform players	
		<i>Local public and private banks</i>	<i>Foreign owned banks</i>
1	National Bank of Commerce	Akiba Commercial Bank	Access Bank
2	People's Bank of Zanzibar	Azania Bank	Advans Bank Tanzania
3	Cooperative and Rural Development Bank	Dar es Salaam Community Bank	International Commercial Bank
4		CRDB Bank	Bank of Africa (BOA)
5		Exim Bank	Bank of Baroda
6		FBME Bank	Bank of India (TZ)
7		I&M Bank	Barclays Bank (TZ)
8		Mkombozi Commercial Bank	Diamond Trust Bank Group
9		National Bank of Commerce	Commercial Bank of Africa
10		National Microfinance Bank	CitiBank
11		Bank M	Ecobank
12		People's Bank of Zanzibar	Habib African Bank
13		NIC Bank	Kenya Commercial Bank
14		First National Bank Tanzania Ltd	BancABC
15		Amana Bank	Stanbic Bank
16			Standard Chartered Bank
17			United Bank of Africa

SOURCE: Adopted from BoT (2011)

One of the major objectives of labor market institutional reforms in Tanzania is to enhance the investment climate for attracting both foreign and local private investors. In a similar way, the Tanzanian banking sector embarked on a plan for financial liberalization in 1992 in order to boost and sustain its economic growth. In response to this, in the early 2000s, the country saw a tremendous increase of private local and foreign banks. The banking sector which comprised of only three banks before the reforms saw the rapid increase in the number of banking institutions. By the end of 2011, the banking sector had 46 players comprising both large commercial banks and small-sized banking institutions which are owned by the local communities.

Table 2 shows the number of players in the banking industry in Tanzania's pre- and post-reform periods (i.e., these are only big players in the industry with the exclusion of community-owned banks which are relatively small in size and their coverage is limited to only one region). One clear observation that can be identified in the table is that there is a tremendous increase of the number of players in Tanzanian banking industry after the wave of liberalizing its economy. As can be noted in table 2, after liberalization, there are over 30 large commercial banks, with public-owned banks remaining at three and local private banks of more than 15. Within this number, there are 17 foreign-owned banks with larger coverage in most regions in Tanzania.

3.1.2 Number of Employees in the Banking Industry

The rapid increase in the number of players in the Tanzanian banking industry after reforms also meant an increase in the number of local employees working in these banks. The flexibility of ELRA and its objectives of promoting economic development through economic efficiency, productivity, social justice² together with the favorable investment climate led to the increase in the number of Tanzanians employed in the banking sector. This is true because after establishing operations in the country, the banks created employment opportunities to the needy local skilled workforces who have waited for so long for these opportunities. Table 3 tabulates the number of employees in the banking sector in pre- and post-reform periods.

The country has managed to attract foreign banks, with some of them targeting a particular type of clients who came to invest in Tanzania in the post-reform period. The following statement is indicative: "Citibank's presence in the country was mainly driven by [the needs of] its customers who are mainly from US and other Western countries [and] who had invested in the mining and tourism sectors" (Newenham-Kahindi 2005).

Table 3. Number of employees working in the registered commercial banks

Pre-reform players			Post-reform players		
	<i>No. of employees</i>	<i>Local private and public banks</i>	<i>No. of employees</i>	<i>Foreign owned banks</i>	<i>No. of employees</i>
CRDB	N/A	ACB	360	Access Bank	210
PBZ	N/A	Azania Bancorp	181	Advans Bank	
NBC	9000-10,000 ³	NMB (T) Plc	2610	CitiBank	58
		CRDB Bank	1437	Bank of Africa	201
		Exim Bank	477	Bank of Baroda	35
		FBME Bank	308	Bank of India (TZ)	17
		I&M Bank (T) Ltd	66	Barclays Bank	668
		MCB	37	DTB	207
		NBC	1496	CBA	104
		MbCB	37	ICB	83
		Bank M	127	Ecobank Tanzania	52
		PBZ	163	HAB	82
		Twiga Bancorp	106	KCB (T)	246
		TPB	392	SCB	337
		TIB	154	Stanbic Bank	402
		DCB	132	BancABC	80
		NIC bank (T)	84	UBA	49
		KiCB	30		
		MuCB	29		
		MRCB	29		
		KFCB	23		
		UCB	23		
		Efatha Bank	22		
		TCB	8		

SOURCE: Author's compilations from various sources, 2012

Notes: Tandahimba Community Bank (TCB); Uchumi Commercial Bank (UCB); Kagera Farmers Co-operative Bank (KFCB); Mwanga Rural Community Bank (MRCB); Mufindi Community Bank (MuCB); Kilimanjaro Co-operative Bank (KiCB); Mbinga Community Bank (MbCB); Mkombozi Commercial Bank (MCB); Standard Chartered Bank (SCB); Tanzania Postal bank (TPB); Tanzania Investment Bank (TIB); Dar es Salaam community bank (DCB); United Bank for Africa (UBA); Habib African Bank (HAB); People's Bank of Zanzibar (PBZ); N/A = Not available

It can be suggested that the flexibility of Tanzanian labor market institutions has resulted in the attraction of various investors in various sectors, which also led to the need of banks from investor's country of origin to come and establish their operations in Tanzania to serve them.

Despite serving only foreign clients when entering the country, the banks ended up in creating employment opportunities for the Tanzanians working in these banks.

3.1.3 Geographical Coverage and Outreach Activities of Key Players

The efficiency and productivity focus of the ELRA enabled both foreign and local investors in the banking industry to increase their coverage of many other parts of the country. Expansion of these banks into other parts of the country, both urban and rural areas, increases the likelihood of creating more employment opportunities for Tanzanians of different levels. It means that, these banks employ many Tanzanians at different levels ranging from lower level positions to higher levels of managerial positions, with much of the lower level positions filled by the local skilled workforce. Table 4 shows the branch networks of all large commercial banks operating in the Tanzanian economy today.

It can be noted from table 4 that most of the banks operating in the newly liberalized and flexible economy of Tanzania have more than one branch network, with National Microfinance Bank (NMB) being the leading one with over 132 branches. NMB branches are located in more than 80 per cent of Tanzania's districts, both rural and urban ones. With such large coverage of its networks, NMB offers more employment opportunities to Tanzanians with qualifications in these careers. By the end of 2011, the total number of bank branches and other financial institutions nation-wide was over 475, most of which were concentrated in Dar es Salaam. The number of branches in Dar es Salaam accounted for 33 per cent of all branches, followed by Arusha and Mwanza with 7 per cent each and the remainder being distributed in other regions of the country. Another point to observe is that, compared to foreign owned banks, local banks, both public and private ones, cover a large area with over 197 branches all over the country.

Table 4. Coverage of the registered commercial banks in Tanzania

<i>Local private and public banks</i>	<i>Branch network</i>	<i>Foreign owned banks</i>	<i>Branch network</i>
Akiba Commercial Bank	7	Access Bank (T) Ltd	4
Azania Bancorp	7	Advans Bank Tanzania Ltd	1
National Microfinance Bank (T) Plc	132	International Commercial Bank (T)	5
CRDB Bank	56	Bank of Africa (T) Ltd	7
Exim Bank	20	Bank of Baroda	2
FBME Bank	4	Bank of India (TZ)	1
I&M Bank (T) Ltd	3	Barclays Bank (TZ)	31
Mkombozi Commercial Bank Plc	1	Diamond Trust Bank (T) Ltd	8
National Bank of Commerce	56	Commercial Bank of Africa	6
First National Bank Tanzania Ltd	2	CitiBank (T) Ltd	3
Bank M (T) Ltd (120)	4	Ecobank Tanzania Ltd	2
People's Bank of Zanzibar	3	Habib African Bank	2
NIC Bank (T) Ltd	3	Kenya Commercial Bank (T) Ltd	9
Amana Bank	2	BancABC	2
		Stanbic Bank (T) Ltd	11
		Standard Chartered Bank (T) Ltd	7
		United Bank for Africa (T) Ltd	1

SOURCE: BoT (2011)

3.1.4 Outreach Activities of the Players in the Banking Industry

Apart from creating employment opportunities directly in the banking sector, players in the banking industry are increasingly engaged in financing other development activities which in one way or another create employment opportunities for Tanzanians both in rural and urban areas. Players in this industry also create employment opportunities through supporting other economic activities by providing loan to other financial institutions (such as SMEs) and individuals. Previous studies (Olomi et al. 2008) have shown that players in the banking industry are implementing a number of activities to provide both SMEs and individuals better financial products that are tailored to their needs towards helping them engage in economic activities. With government efforts to reduce and combat unemployment, players in the banking sector are collaborating with the government to achieve this goal by offering both big and small loans to groups of people.

Access to finance allows individuals to engage in productive economic activities which at the end enable the country at large to achieve its objectives of reducing unemployment and abject poverty at the individual level. It is worth noting that some banks serve individual borrowers while others serve groups of borrowers. Loans offered by the players in the banking industry range from short-term loans (a maximum of 25 million on average and given for a period of less than 12 months) to long-term loans (an average of TZS 100 million for the period of two to ten years) (Richard and Mori 2011). Loan accessibility from various banks at the individual or group levels has great contribution to employment creation and reduction of abject poverty in the country. One interviewee had this to say: “You see it is easier to establish and manage a small business even in a rural setting. One has only to work on an idea and convert it into notes and coins” (Entrepreneur A).

However, it is important to understand that most employment opportunities created from outreach activities of players in the banking industry are informal ones. This can also be observed in the above excerpt where the interviewee is acknowledging the ease of establishing small businesses in both rural and urban areas in Tanzania. It was also found that even people who believed to have a low level of education are the beneficiaries of these services offered by players in the banking industry. One entrepreneur who was found at her job place explained that: “You know, there are minimal chances for the women, particularly those with low education, to secure a formal job position in this competitive environment. However, banks have offered opportunities for me to employ myself” (Entrepreneur B).

Another entrepreneur had this to say regarding the creation of employment opportunities particularly in the informal sector: “I am happy with the existence of these banks in Tanzania; apart from giving us loans with which ultimately we employ ourselves but also the competitive nature of these banks has motivated a saving culture across Tanzania” (Entrepreneur C).

It was also revealed that these banks do not only provide loans to Tanzanians but also conduct an awareness forum and business management training free of charge to their clients. These trainings have important contributions to Tanzanians in managing and maintaining businesses. Sustaining business for a long time has important implications for employment creation for the family members of those who own such business. One interviewee had this to say:

I have managed to employ most of my relatives in this business. I started with a very small business operation but with the help of my bank through loan and training on how to manage my business, I have made a difference not only to myself but to others also. (Entrepreneur D)

There are no words to say to someone offering you a free education on how to manage your business... (Entrepreneur J)

Another interviewee had this to say regarding training offered by these players in the banking industry: "Before the arrival of these banks, with all the opportunities they are offering to me, particularly training, I started almost five small businesses but all of them collapsed. But after attending trainings offered by these banks, now I can see my business is flourishing! (Entrepreneur E)

It was also found that the start-up of these small businesses contribute to employment creation not only for family members but also for other Tanzanians with and without formal education. The following excerpts from one interviewee explains this:

In 7 years of operations, I have managed to create employment opportunities for at least 21 local Tanzanians. Thanks to ABC bank for giving me a chance to implement my dreams. (Entrepreneur G)

After receiving a loan from XYZ bank and after they trained me on how to manage my business, I can see there are prospects of growing and creating employment opportunities. (Entrepreneur A)

Another interviewee had this to say regarding the creation of a successful business and employment opportunities to the fellow Tanzanians after receiving loans and training on how to manage and run their business successfully: "I started with one employee but after 5 years of operations I have almost 11 employees. All these is because of the assistance (both access to loan and training) I get from one of the banks in my local area" (Entrepreneur B).

These quotations from entrepreneurs suggest that players in the banking industry are creating both direct and indirect employment opportunities for Tanzanians. Again it is noteworthy to believe that training offered by these players in the banking industry has a significant role in running and sustaining businesses owned by Tanzanians of all levels in both rural and urban areas. These findings suggest that constraining the impact of these players into creation of formal employment opportunities alone may be a narrow view. Thus, there is a need to open-up other avenues to study the multiplier effect of these important actors in the Tanzanian labor market.

3.2 Impact of Labor Market Institutional Flexibility on Labor Market Entrants

Labor market institutional flexibility has both positive and negative impact on labor market entrants, particularly on duration of search for the first job, and the quality of the first job. This section presents findings on the following research question: How do the Tanzanian flexible labor markets affect initial employment for potential employees? The findings revealed that young labor market entrants are characterized by two particular

features, namely lack of work experience and networks in the labor market. This means that young labor market entrants found themselves to be outsiders as they lacked work experiences, lobbying mechanisms and networks. These young labor market entrants faced a prolonged duration of job search and the possibility of accepting job positions which are not their area of specialization. The following quotations demonstrate this.

Networks are very important in today's free and competitive labor market. I was without job in my field of specialization for almost 5 years now. It is not easy to secure a job in this flexible labor market. I have a very good grade in my certificate but the possibility of getting a job is very minimal.
(Labor market Entrant A)

When I completed my bachelor degree, I told my dad I don't want to use your network in searching for a job. ... I started writing and sending application letters to various employers; I hardly got a job position for almost three years!! Then I came back and told my dad that now I needed his help. Finally I got the position in one of the big banks!!!
(Labor market entrant E)

Something that can clearly be observed in these excerpts is that networks are one of the most important aspects in securing jobs in Tanzania. This means that it is easier for those labor market entrants who have someone in the system to get jobs than those without networks. This is evident from the responses in the following excerpts.

I know my colleagues with whom I finished my college study for the bachelor's degree in the same year, but they are big bosses in various government offices. It is not because they have good certificates; some of them have even lower grades than mine. Now you can understand the situation.
(Labor market Entrant C)

While handing in my job application last month, I met one of my classmates in that office; it was a surprise for the two of us! Hey "D" are you still searching for a job? I said yes. Then Z told me, if this country could have been employing people because of their academic performance, I am sure you would have been in a big office now.
(Labor market entrant D)

These excerpts suggest that potential employees in the Tanzanian labor market are facing difficulties in getting jobs in their specializations. As a result they opt for employment opportunities in other areas where it is easier for them to get positions. Mostly they decide to go for teaching positions using their personal experiences and the knowledge they got while in high school. The following quotation show this situation;

Currently I am working as a teacher of Geography and History but professionally I am a human resource expert with a bachelor's degree in Human Resource Management from Mzumbe University. I have waited

for at least four years now to get a job in my area of specialization. It is not an easy task to get employment these days. I have sent a lot of applications without success. Networks are very important in today's Tanzanian labor market.

(Labor market entrant B)

I waited for almost four years to get the job position in my area of specialization. I could not get any. I worked as a part-timer with three employers but it was not easy to get a permanent job, then I decided to start teaching in one of the private schools. The subjects I teach are not in my specialization, but I have no option other than this!!

(Labor market entrant E)

These excerpts suggest that despite engaging in part-time employment, this type of employment may in one way or another is less efficient to both employers and employees because employees are engaging in areas that are not their area of specialization. The implication of these findings for young employees trying to plan their future is that it might be difficult for them to know exactly what is the right thing to do and focus on in order to achieve their individual goals since part-time employment is associated with low earnings and is less secure compared to full-time employment. Table 5 summarizes these findings.

3.3 Impact of Labor Market Institutional Flexibility on Job Sustainability

The main purpose behind research question no. 2 is to explore the impact of labor market institutional flexibility on employees' job sustainability. As it has been shown in the literature, any institutional reform seems to have both positive and negative impacts in the way employees feel secure in their present job positions, and on their career development. The findings from interviews conducted with employees working in the banking industry show that labor market institutional flexibility has a significant impact, either indirectly or directly, on their job sustainability.

3.3.1 Employee Job Security

Labor market institutional reforms are one of the products of macro-economic reforms in any country. As noted earlier, a major project of labor law reform in Tanzania was started and implemented in the 1990s with the aim of simplifying the regulation of businesses, attracting both foreign and private local investors, which resulted in the formation of new legislations devoted to substantive individual rights and enforcement mechanisms (i.e., the Employment and Labor Relations Act and the Labor Institutions Act, both of 2004). The change in the institutional set-up of the labor markets has affected the rights of workers, for example, with regard to hiring and firing. The role and positions of representative organizations also change as part of a wider restructuring of industrial relations. In these regards, these

institutional reforms tend to have the direct effect on employment and the demand for labor in Tanzanian labor market. Recognizing this, it is noteworthy to understand that these reforms also tend to have a direct effect on employees' job security as one of the features of competitive free labor market. Responding to the question "do you feel secured in your present position in this era of free market economy?" employees working in the banking industry showed that there is minimal job security in the free market economy of Tanzania. The following excerpts support these claims:

There is no security these days in the job particularly for us who work in private companies. Today you may be in the office and tomorrow you may be either chased out or demoted but without clear reasons.

(Employee in company A)

I am actually not secure; it is very difficult to predict the sustainability of our positions these days.

(Employee in company B)

After having similar responses from 9 out of 10 employees interviewed, I asked one probing question "*why are you saying this?*" The following were the responses:

Let me give you a true story! I was working as a senior marketing manager in this company and they chose me as the best employee of the year, and awarded me a vacation leave in a foreign country with a good allowance. When I completed the vacation, I went back to the office in the hope of going on with my duties. Unfortunately, when I entered the office, I found someone sitting in my office and informed me that the person in my office will be the new senior marketing officer of the company and would be my boss. At the same time I have been demoted to the normal marketing manager's position!!! No more explanations or questions, if you agree with this position you are welcome and if not, we are ready to pay you a free monthly salary and off you go! Taking into consideration the difficulties in getting a job in our labor market I had no choice other than accepting the new position

(Employee in company A)

I remember one incident that happened in my company. One of my colleagues went for a job training that was sponsored by the company for about two weeks at the company's head office. While attending the training, another employee came from the parent company and took that position of my fellow Tanzanian. We thought that the new employee from the parent company was only acting in that position until the Tanzanian employee comes back from training. But when the Tanzanian employee came back from training, the management informed him that the office got the new employee who is the boss in that office. That was the end of his tenure in our company. Now you can see that our job security is not assured.

(Employee in company B)

Another employee had the following to say regarding employees' job security in the free market economy of Tanzania: "There is no security in our jobs. You may be in the office in the morning and in the afternoon you are not there!!! All this is because our labor market regulations are not enforced, they are there but nobody is ready to implement them." (Employee in company A)

It was also found that employers have strong dictates in employer-employee relationship. One interviewee explained this:

You can not be secure in the Tanzanian labor market environment, particularly if you are working in the private sector. Employers have big and strong voices and employees are there to take command from their bosses. People have been either losing their jobs or are demoted daily and without explanations from the management. I usually associate this with the lack of strong institutions to regulate the labor market.

(Employee in company C)

Besides revealing the minimal employees' job security, the above excerpts go one step further by pointing out one significant reason for this situation. Interviewees associate employees' job insecurity in the banking industry with the flexibility of the country's labor market institutions. As noted earlier, labor market institutions have strong and direct influence on employees' job sustainability. However, there is need for strong institutions that would create a win-win situation between local employees and employers. Under the free market labor economy, with the new labor market institutions, the country has made a choice to follow the flexible and open labor market institutions to allow for job creation for its citizens. However, the flexibility of the labor market institutions in this free market economy result in grievances from employees as the following excerpts explain.

Really, I am not secured and I am not sure for how long am I going to be in this company. The security of an employee in his/her position depends on many factors but the most important one is strong institutions, which in our country we know employers have more rights and voices than employees in employer-employee relationship. I have seen employees being chased out or demoted with no clear reasons.

(Employee in company C)

Working in a private company in a country with no strong institutions is a challenge particularly when thinking of maintaining one's position. It is impractical to think of security in such an environment. When networks and nepotism are very strong while labor institutions are weak, then the job security of those without networks is not there!

(Employee in company A)

It was also found that workers unions exist but they are not strong enough in dealing with employees' grievances in the Tanzanian competitive labor market. One interviewee explained this as follows: "... As you know, we are in a free market economy and the respective institutions are there but they are not implemented as required... the workers unions are weak to address anything regarding employees' problems." (Employee in company B)

The findings indicate that employers use the openness of Tanzanian labor market institutions to undermine the rights of their employees and these institutions are ineffective in protecting employees in the banking industry. In the Tanzanian free labor market, even written employment contracts or agreements lack essential elements that are supposed to help employees understand their basic rights. As such, it is easy for employers to undermine their employees as the latter are not aware of even their basic rights.

3.3.2 Employee Career Development

Employee career development is important not only for employees but also for the organizations that employ them and the government in general. For employees, career development is one of the aspects that help them maintain and sustain their job positions. It is expected therefore that employers will provide support and guidance necessary for employees to develop and manage their careers. In such an environment employees will feel more attached with their employers which will further motivate superior performance at work by giving employees a sense of ownership through direction and support. In this regard, career development acts as superglue between employees and employers. For the government and the country at large, career development is a key to having competent workforce in the economy.

From its importance to employees, employers, and the government it is noteworthy to believe that any institutional reforms would make sure that they provide guidance on how organizations are to give support to employees who are willing and ready to go for career development. This is because public policy has an important role in encouraging and supporting employers in providing career development services for their employees and making sure that access to career development is available to a wider group of employees. In recognition of this, employers are expected to incur both direct and indirect expenses to make sure that employees are attending both on-the-job and off-the-job trainings. Indirect expenses include giving their employees enough time to attend such training while direct expenses include sponsoring their employees by paying tuition and other fees to enable them to attend their training.

The findings from the interview conducted with employees working in the banking industry in Tanzania show the mixed results pertaining to the issue of career development in their organizations. Seven out of ten employees

claimed that their employers do not offer the expected support to their employees who are ready and willing to go for further training, as the following excerpt shows:

In the banking industry, there is no way you can say employees can develop in their career. I am saying this because, if you wish to go for further studies they tell you to terminate the contract, or if they allow you, you have to find your own time and there is no guarantee for you to get your position after the training.

(Employee in company B)

It was also found that some employers allow their employees to go for further training; however, employees are expected to use their own time and decide how they can balance between work and studies. This situation was interpreted by employees as the indirect rejection of their request for further training. The following excerpts from employees explain this situation:

...sustainability and security of the job involve not only staying with the company but also employee development. In the banking industry employee development particularly aiming at and attaining high in their job and academic career is a day-dream. We are busy like mchwa³, where can you find extra time for developing yourself?

(Employee in company C)

Employers are not ready to allow their employees to go for further studies and if they allow them, then employees have to find their own time to pursue their studies at the same time going on with performing their tasks. This is a big challenge for us taking into consideration the kind of tasks we are performing.

(Employee in company A)

These excerpts imply that employees are willing and ready to go for further training in order to develop themselves towards gaining more expertise for themselves and for their employers. However, the challenges they are facing are time constraints, as portrayed in the above quotations where all respondents show their concerns about the limited time they have to attend further training. This has resulted in what seems to be the culture developing in the banking industry where employees are receiving further training by attending evening classes. However, employees seem to have a negative perception of this type of training as the following quotations demonstrate:

We are attending evening classes as the remaining and only option but not effective compared to the full-time studies. Just imagine: the office hours end at 4.00pm; then with traffic jams in this city (Dar es Salaam), it is really impractical to think of efficiency while attending classes.

(Employee in company A)

I am not happy with these evening classes, but I have no option. This is because it is very difficult to get study leave to attend a full-time study program.

(Employee in company A)

It was also found that maintaining job positions is one of the constraints employees are facing when deciding to go for further training. It was noted that the chances of losing a job position is very high if the employee decides to take a study leave. This was clearly put by interviewees as follows:

I would like to go for further training particularly attending full-time studies. However, it is not possible because I would like to maintain my job position too. If I decide to go for this type of study, then I have to resign from my current position.

(Employee in company C)

We need to attend further training for our survival in this competitive labor market; however, our employers are not ready to allow us to take such opportunities. Something you should remember is that getting a job is a difficult task these days; some employees are opting for evening classes while others remain without further training.

(Employee in company B)

These excerpts clearly suggest that employees have realized the full benefit of developing themselves professionally by gaining more expertise. These findings suggest that employee career development is seen by employees as one way of maintaining and sustaining their current positions in this competitive and flexible labor market economy that characterizes the country today. However, it is difficult for them to attend what they view as the most effective and efficient mode of developing their careers, i.e., full-time study programs. It means that they face constraints towards realizing the full potential of these study programs because working conditions in their companies are not conducive for them. This means that employers in the banking industry hesitate to grant their employees the study leave to go and attend full-time study programs in various universities and colleges either within or outside the country. Recognizing the risk of losing their jobs, young employees are combining both school and work as an alternative strategy to safely get a foothold in the labor market without risking their job positions.

Table 5. Summary of the key findings

Constructs of interest	What emerged from data source material
<i>Employment creation</i> Labor market reform is said to create employment	→ If employment creations are narrowed to only formal direct employment, it is doubtful that reforms have created more job than in the pre-reform days. → However, indirectly there may be more jobs created by banks through financial capital lent to individuals, SMEs and the business sector in general.
<i>Job sustainability</i> Labor market flexibility is likely to pose challenges to employees' current positions	Unfair firing and demotions occur frequently.
<i>Labor market entrants</i> Labor market flexibility can negatively affect new entrants in the labor market	Findings corroborated this supposition → Young employees from universities face difficulties in securing jobs in their areas of specialization. → However, jobs can be secured to employees with networks and through nepotism rather than competence.
<i>Training and career development</i> Institutions are silent on skill acquisitions	→ Employers deny general training and skill acquisition to employees. → Employers also deny study leaves because it may involve costs of search, screening and recruitment of new employees. → Flexibility increases uncertainties on the longevity of tenure such that employers have no incentive either to bear the cost of training or offer study leave except for short-term firm-specific training.

SOURCE: From the research findings 2012

4. Conclusions

This paper set out to explore how the labor market institutional flexibility has impacted on employment creation and job sustainability. Specifically the study sought to: 1) explore the impact of labor market institutional flexibility on employment opportunities for the local workforce in Tanzanian labor market; 2) explore the impact of labor market institutional flexibility and the challenges facing labor market entrants while searching for positions in the labor market; and 3) investigate the impact of labor market institutional flexibility on sustaining employees' positions in their work places.

Through interviews and document analysis, the study revealed various factors explaining the impact of labor market institutional flexibility on employment creation and employees' job sustainability. These factors are increase in the number of players in the banking industry, number of employees, and banks' geographical coverage and outreach activities. From the interviews conducted with labor market entrants the findings revealed two challenges facing them in securing employment positions. These are longevity of the waiting period and lack of networks in the labor market.

4.1 Impact of Labor Market Institutional Flexibility on Employment Creation

The findings revealed that labor market institutional flexibility has both a direct and indirect impact on employment creation. From document analysis, the findings revealed three indicators of employment creation; these are increase in the number of players (i.e., banks) in the banking industry, number of employees employed by these players and banks' geographical coverage. Additionally, the findings from interview data revealed one indicator, namely, outreach-activities of players in the banking industry. Generally the findings suggest that the labor market institutional flexibility has a significant impact on employment creation for Tanzanians.

The findings showed that there is an increase in the number of players (banks) in the banking industry in the post-reform period, i.e., from the 1990s to date. These findings suggest that a favorable investment climate (one of the objectives of reforming major macro-economic policies in the early 1990s in Tanzania) might have helped the country to attract both foreign and local investors to the country. Conventionally, increase in the number of players in any industry signifies an increase in the number of people employed in that particular industry. This is consistent with previous studies (see Asiedu and Gyimah-Brempong 2008) which have argued that increase in investment from both foreign and local private investors has direct and indirect impact on employment opportunities for the local skilled workforces by creating new employment opportunities through Greenfield investment and via forward and backward linkages with domestic firms. Accordingly, these findings are in consonance with the initiatives like the New Partnership for African Development (NEPAD), which puts much focus on improving good governance to attract FDI towards creating more opportunities for investment and employment for the local workforce (Kamoche and Harvey 2006).

The findings further showed that players in the Tanzanian banking industry have large geographical coverage in both rural and urban areas. With the support of institutional infrastructure that is in place in the post-reform period, such large coverage of banks offers opportunities for the local people to be employed. This is evidenced by the increase in the number of branch networks from 142 in pre-reform era to over 475 branch networks in the post-reform period. These findings complement previous studies (cf.

Lee, McCann and Torm 2008) which have argued that deregulation and flexibility of labor market institutions is associated with economic growth and employment creation for the local workforce.

The study, however, revealed contradictory results particularly on the number of employees working in the banking industry in the pre- and post-reform periods in Tanzania. This is because the empirical data have shown that in the pre-reform period, there were over 11,000 employees working in the banking industry while in the post-reform period there are also over 11,000 employees in this particular industry. This is in contrast to findings of previous studies (cf. Lee, McCann and Torm 2008; Asiedu and Gyimah-Brempong 2008) which have argued that increase in private investors, both foreign and local ones, as a result of labor market institutional flexibility, is associated with employment creation. In conventional wisdom, this means there is a significant association between the increase in number of investors and direct employment opportunities that are created from these investments. However, it is important to understand that in the pre-reform period employees were working manually while in the post-reform period employees are working with computer technologies in such a way that the task that used to be performed by 20 employees previously is now being done by a single employee. The advancement of technology challenges the conventional wisdom of comparing number of employees between pre- and post-reform periods.

These findings imply that if employment creation is to be limited to formal direct employment created by these banks, one would argue that NBC alone had created more employment opportunities in the pre-reform period than in the post-reform period. Of course, it is important to understand that post-reform banks face more competitive pressure and apply automated services which replace human beings. In other words, arguments in favor of labor market flexibility towards creation of direct employment should not be generalized; instead, the discussion should focus on the way labor market reforms create employment indirectly through productivity, efficiency, effectiveness, entrepreneurial development and any employment created due to financial capital flowing from banks into the economy.

The findings further showed that not only direct job opportunities but also indirect job opportunities are created in the free and flexible economy. These findings revealed that through outreach activities of these players in the banking industry, employment opportunities are created in both rural and urban areas. This is through loans provided by banks to individuals and groups of Tanzanians for investment in various sectors. Some of these banks also offer trainings to entrepreneurs on how to run and manage businesses in a competitive business environment. Tanzanians see the loans and trainings as opportunities for creating employment for themselves, their family members and other people in their local environment. These findings also suggest that limiting the impact of these players into only

creating formal employment opportunities may be a narrow approach. There is hence a need to consider the multiplier effect of these important actors in the Tanzanian labor market.

However, the argument that labor market flexibility creates more employment should be taken cautiously. Findings suggest that if employment creation is conceived in terms of formal and direct employments, then the argument of more jobs due to flexibility may not be valid in the case of the banking sector in the Tanzanian economy. Findings suggest that more jobs are likely to be created indirectly through a multiplier effect. Banks are forced to adopt more advanced technologies in order to remain competitive and efficient. This of course implies more labor being replaced by new technologies in the industry, particularly Internet and computer technologies. Interestingly, the banking sector creates more jobs indirectly in other economic sectors. Findings showed that there are more financial resources from the banking sector to finance entrepreneurial activities of SMEs and business in general.

4.2 Impact of Labor Market Institutional Flexibility on Labor Market Entrants

The findings revealed that labor market flexibility has both positive and negative consequences on initial employment for potential employees in two areas, namely, duration of search for the first job and the quality of the first job. The study revealed that young labor market entrants are characterized by lack of experience and networks. Generally, these features are suggested tend to put young labor market entrants in a risky situation in securing employment positions in the area of their specialization. The findings indicated that young labor market entrants wait for a long time (on average 4 years) after their first graduation before securing employment. This might be attributed to the structural shifts of the major macroeconomic policies (Potrafke 2010; Lindbeck 1999; Boerri and Terrell 2002) that features the Tanzanian economy, which has been suggested by previous studies to cause structural unemployment either for the short or long term. From a Human Capital Theory (Becker 1975) point of view, those labor market entrants without experience face challenges not only in securing employment positions but also in sustaining any type of fulfilling career (Bynner and Parsons 2002).

These challenges have resulted in prolonging the duration of the search for the first job longer than expected. These findings are in consonance with previous studies (cf. Bynner, Chisholm and Furlong 1997; Jones and Wallace 1992) which have suggested that the route from schooling to employment nowadays is long and complex. This situation places particular pressure on labor market entrants who wait for a long time without securing employment positions. This is because the social and economic aspects of young labor market entrants are crucial in determining their acceptance by the society, particularly close family members (Bynner and Parsons 2002).

The findings further showed that a long waiting period before first employment after graduation is accompanied by potential employees taking up job positions that are not in the area of their specialization. These jobs are considered as of low prestige by potential employees. These findings suggest that labor market entrants are faced by the situation known as visible underemployment characterized by low income, underutilization of their skills and low productivity (Ryan 2001). Moreover, these findings reflect the reality that is acknowledged in the Tanzanian National Employment Policy of 2008 that “unemployment and under-employment are one of the serious major national development challenges with ramifications for economic welfare, social stability and human dignity”.

The findings further revealed that networks are one of the important factors that help the labor market entrants to secure employment positions. These means not only human capital as embodied in skills and qualifications but also social capital, i.e., networks, are crucial for securing jobs (Coleman 1998). These findings are in line with previous findings which have suggested that reliance on friends, family and social contacts to find jobs in the labor market is now a true fact that cannot be ignored (cf. Mlatsheni and Rospabe 2002; Wittenberg and Pearce 1996). Reliance on social networks to secure employment positions have been suggested by previous studies to have both positive and negative impacts on employers and employees (cf. Godlonton and Burns 2006). To employers it may result in better matching between the job candidate and available job, reduces employer uncertainty about worker productivity, and may lead to job satisfaction and employee loyalty (Marsden and Gorman 2001).

On the other hand, nepotism may also lead to under-performance by employees because recruitment is not based on merit and capability. Getting jobs through social networks and nepotism exist in both foreign and local companies. The effect of social networks on potential employees, particularly those without networks, might be suggested to be negative. This situation creates an insider-outsider dynamic. Generally in the flexible labor market environment characterized by imperfections and low absorption of the unemployed in the formal sector, reliance on social networks may result in nepotism where large numbers of labor market entrants are left with minimal chances of getting jobs despite their capability and competence. However, one may wonder why even a foreign investor should recruit employees on the basis of favoritism rather than competence. Findings indicated that there is one reason that might explain this situation. Under labor market reform, the employment laws stipulate clearly that Human Resource Managers of foreign companies should be locals. In other words, most recruitment activities especially for positions at the operational level are done by the HR office. In this regard, HR managers have a major role in deciding the ‘who and how’ of employments in these companies.

Since labor supply exceeds demand in Tanzanian economy, this poses a high risk to labor market entrants without social networks. Parents and relatives with positions in the public and private sectors may try to use their social networks to get their children employed in the banking sector. In this way there is a tendency for social networks to cross sector boundaries. As a result poor labor market entrants without networks face an automatic social exclusion in the labor market. Based on these grounds, I recommend that an open and competitive recruitment process should be in place for the benefit of employers, individual applicants and the society at large. This may in one way be demanded by formal institutions on equity grounds.

4.3 Impact of Labor Market Institutional Flexibility on Job Sustainability

The findings revealed that the labor market institutional flexibility that characterizes the Tanzanian economy has both direct and indirect significant impact on employees' job sustainability. From interviews, the findings revealed two indicators that provide evidence on how labor market institutional flexibility has impacted on job sustainability, namely job security and career development.

Empirical evidence revealed grievances from employees regarding the practices of firing employees. The minimal job security has been attributed by the interviewed employees to changes in the institutional set-up of the labor market. From the words of interviewees, employee may be in the office in the morning but in the afternoon the same employee may be unemployed with no accurate and clear reasons from the employer. These findings suggest that in the flexible labor market environment, employees are less secured in their present positions. These findings are consistent with previous researches (cf. Anner and Caraway 2010; Ackson 2009; and Bakvis 2006) which have shown that deregulation of labor market institutions has been seen as a one-sided policy favoring employers but silent on employees' job security. Generally, these findings bring us back to the neo-structuralism theory that argues for the need of government intervention for the purpose of correcting market failure to assure a win-win situation between employers and employees.

These findings further showed that the minimal job security is accompanied by strong voices of employers in the labor market with minimal rights of employees at the work places. Lax governmental and workers' union supervision gives allows employers to act as they wished when dealing with employees (Czenter 2002; Manda 2004). On the other hand, it is imperative to understand that the Tanzanian Employment and Labor Relations Act of 2004 under Part VIII sub-part A and B clearly provides for the right to organize and resort to dispute resolution mechanisms. This implies that there exists a gap between the legal framework and practice.

The findings also revealed that labor market institutional flexibility has a negative impact on employees' career development. Employees' career development has emerged from the data as one of the significant attributes of employees' job sustainability in the free and competitive labor market. Characterized by high competitions and difficulties in securing employment positions, employees felt a strong need for developing themselves to move to a higher career ladder. However, the findings revealed that employers in this industry were not ready to grant their employees leaves so that they can attend full-time studies in various universities and colleges. This has forced employees to enroll in various part-time or evening-class programs. However, employees do not see these programs as efficient and effective as full-time programs.

Institutions dictate the rules of the game. In the absence of an institutional regulator, there is a likelihood of a win-lose exchange between private (firm) and public (employees) parties. Therefore an optimal and efficient regulation is necessary to reduce imperfections and protect parties involved in the exchange.

In the case of employees, labor market reform creates a choice of trade-off between pay and job security. There is a feeling that competition and flexibility lead to better pay but with less secured jobs. During the socialist economy, labor markets were regulated and labor market entrants were recruited directly from colleges and universities and placed into public organizations. Currently, there is intense competition for jobs among labor market entrants where the probability of securing a position depends on competence and networks. To harmonize employees' promotion, demotion and firing, there is a need for open performance-based appraisal. Hence, there should be clear and objectively verifiable performance indicators so that any decision regarding promotion, job loss and demotion is openly justifiable. This may increase efficiency and productivity in the organization and reduce conflicts which can endanger the company's performance.

Notes

- ¹ See Association of Tanzania Employers, *Guidelines on Employment and Labor*.
- ² The *Labour Institutions (Regulation of Wages and Terms of Employment) Order of 2007*, GN No. 223 of 2007.
- ³ See: (Cull, R. and C.P. Spreng. 2008. Pursuing efficiency while maintaining outreach: Bank privatization in Tanzania. Policy Research Working Paper No. 4804, World Bank Washington, D.C.) See also: (Johnson, G.G. et al. 1999. Tanzania: Recent economic developments. IMF Staff Country Report No. 99/24, Washington, D.C.).
- ⁴ *Mchwa* is the Swahili name for white ant, which in Tanzanian culture is regarded as the busiest insect that works day and night.

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CHAPTER 9

The Role of Business Linkage in the Growth of Employment in Kenya's Dairy Industry

*Mungania A. Kithinji**

1. Introduction

1.1 Background

High unemployment remains one of the greatest challenges to Africa's development and hence a major concern to policy makers and other development stakeholders worldwide. Although many policies, programs and projects have been directed at the problem in sub-Saharan Africa, unemployment and under-employment continue to be major obstacles to full utilization of human resources. Indeed, according to the International Labor Organization (ILO 2012) employment growth in developing economies declined from 3.8 per cent over the period 2007-2010 to 2.2 per cent in 2011. More recent estimates also show that, of the 4 million new cases of unemployment in 2012, about 3 million occurred in developing regions such as Sub-Saharan Africa and South Asia (ILO 2013; IFC 2013). These reports further explain that unemployment has been particularly widespread among vulnerable groups and particularly youth unemployment rates which have increased in two-thirds of all developing countries. Wambugu, Munga and Onsomu (2009) add that unemployment represents just one aspect of the employment problem in developing economies, as they are also affected by informality, working poverty, and underemployment.

At independence in 1963, the Kenyan government identified poverty and unemployment as major problems facing Kenyans. Fifty years later, and despite numerous policy efforts, poverty continues to afflict many Kenyans, and millions are unemployed, underemployed or are working poor (Mariara 2003). From the early 1990s, the government's policy on employment has been focused on creating a conducive environment for the private sector to play a leading role in economic growth and employment generation (Mariara 2003). However, sustaining high economic growth and at the same time generating gainful employment remains one of the greatest challenges facing Kenya today. The growth in employment has fallen short of the growth in the labor force, leading to high unemployment rates. Indeed, according to Wambugu, Munga and Onsomu (2009), the number of Kenyans openly unemployed in 1998/99 was 1,800,623 based on the Integrated Labor Force Survey while the Integrated Household Budget Survey of 2005/2006 showed the number had increased to 1, 856 294. In

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2005/2006, the open unemployment rate among the youth aged 15-24 years, as estimated by the Kenya National Bureau of Statistics (GoK 2007), was 24 per cent compared to an overall open unemployment rate of 12.7 per cent. The most frequent explanations of the causes of unemployment in Kenya include: rapid population growth, poor dissemination of labor market information, skills mismatch, structural reforms, slow or declining economic growth, and high costs of labor. Apart from unemployment, the other problem in Kenya appears to be that millions of workers are engaged in some activity but the earnings received are not adequate to put them above the poverty line hence many working poor (Pollin, Githinji and Heintz 2007).

According to the 2012 Economic Survey (RoK 2012), the government of Kenya has continued to design and implement several programs to promote employment creation such as public works, micro credit as well as policy support to micro, small and medium enterprises. The survey shows that during the period 2007 – 2011, the economy continued to create new employment opportunities both in the modern and informal sectors. A total of 520.1 thousand new jobs were created in 2011 representing an increase of 4.7 per cent over the 2010 new job levels. Majority of these jobs were in the manufacturing sector including formal and informal enterprises in the dairy sub-sector (RoK 2012).

Business linkage building is an entrepreneurial phenomenon that occurs virtually in all business ventures aimed at expanding the capacity, broadening the capability, increasing the flexibility, and lowering the costs of a business firm thus enhancing their competitiveness and growth (Pitelis 2002). Through the Sessional Paper No. 2 of 2005 (RoK 2005), the government of Kenya recognizes that weak business linkage is one of the causes of poor market access by MSEs in Kenya, which overall hinders their growth. The sessional paper thus articulates the government's commitment to work out modalities for providing appropriate fiscal incentives to both large and small firms to encourage market and supply linkages.

1.2 Problem Statement

Policy makers and other stakeholders are concerned about high unemployment in Kenya for a number of reasons - unemployment rate is a key macroeconomic indicator of an unhealthy economy, represents a waste of human resources, is associated with economic hardship and is linked to various social problems such as crime, drug addiction, psychological disorders and loss of self-confidence (Prachowny 1993). Job creation has therefore remained a key focus of the government and other development stakeholders in Kenya.

There is strong evidence showing that business linkages can help both small and large firms to cut costs, compete and grow thus creating new employment opportunities (UNCTAD 2006). By working together, firms can gain the benefits of collective efficiency, enabling them to link with larger producers and break into national and global markets (Jenkins et al. 2007). This in turn will help a business grow in various dimensions including size and employment. Further, inter-firm linkages facilitate firm

growth, and offer the prospect for small firms to compete on a par with larger enterprises (OECD 2004). Indeed, an analysis of successful cases of business linkages in countries such as Ireland, Malaysia or South Africa, demonstrate that it is important to embed business linkage programmes into a comprehensive strategy for business development (Espino-Rodriguez and Padron-Robaina 2005).

Kenya has a well-developed dairy production and processing industry that is a significant part of the nation's economy. It is a significant source of employment, accounting for 4 per cent of the gross domestic product (USAID 2009). But despite various documented evidences of business linkage success in other sectors, little is known over the business linkage relationships among the various players in the dairy sub-sector in Kenya. Therefore, this study sought to investigate the role business linkages in the growth of employment levels in the dairy sub-sector. This is in realization that inter-firm linkages are important in providing the much needed capital and diffusing knowledge to the linked firms as well as help to promote production efficiency, productivity, growth, technological and managerial capabilities and market diversification, and thus contributing to firm employment growth (UNCTAD 2004).

1.3 General Objective

The general objective of this study was to investigate the role of business linkages in growth of employment in the dairy sub-sector in Kenya. The specific objectives of the study were:

- i. To establish how outsourcing as a business linkage can enhance generation of new employment opportunities among dairy enterprises.
- ii. To examine whether networking as business linkage can lead to increased levels of employment among the dairy enterprises.
- iii. To establish how subcontracting as a business linkage can enhance generation of new employment opportunities among dairy enterprises.
- iv. To establish how joint venture as business linkage can lead to increased levels of employment among the dairy enterprises.
- v. To examine whether business clustering as a business linkage can enhance generation of new employment opportunities among dairy enterprises.
- vi. To determine whether licensing as a form of business linkage can lead to increased levels of employment among the dairy enterprises.

1.4 Methodology

The study adopted both quantitative and qualitative methods employing a descriptive approach. Scientific methods were used to determine the sample and the sample size from which data was collected. Appropriate data collection tool and methods were developed and advanced statistical data

analysis techniques were employed. Specifically, a regression analysis model was developed and employed to test the relationships between the predictor and the dependent variable and to draw inferences.

2. Theoretical and Conceptual Framework

2.1 Introduction

In pursuit of the appropriate theoretical framework to adopt in this study, a critical review of the major relevant theories was undertaken.

2.2 Entrepreneurial Opportunity-Based Management Theory

Theorists argue that entrepreneurship is an outcome of a complex balancing of opportunity initiatives, risks and rewards. Entrepreneurship is a process by which people pursue opportunities, fulfilling needs and wants through innovations, without regard to the resources they currently control. The Entrepreneurial Opportunity-Based Management Theory (EOBMT) developed by Howard Stevenson and collaborators in 1983 provides an important point of departure for the development of entrepreneurial instruments. The theory holds that entrepreneurial management, defined as a set of opportunity-based management practices, can help firms remain vital and contribute to firm and societal level value creation. The theory argues that entrepreneurial value-creating processes can take place in any type of organization (Brown, Davidsson and Wiklund 2001; Stevenson and Jarillo 1990). Indeed, according to Drucker's opportunity construct, entrepreneurs have an eye for possibilities created by change than the problems. Stevenson (1990) extends Drucker's opportunity-based construct to include resourcefulness. This is based on research to determine the differences between entrepreneurial management and administrative management. He concludes that the hub of entrepreneurial management is the pursuit of opportunity without regard to resources currently controlled. Identifying and selecting right opportunities for building business linkages are among the most important abilities of a successful entrepreneur as inferred in this theory. It is through networking, for instance, that entrepreneurs will discover opportunities beneficial to an enterprise.

As regards growth, it is assumed that entrepreneurs desire rapid business growth and that entrepreneurial management will help create it. The entrepreneurial firm encourages ideas, experimentation and creativity, thus developing an entrepreneurial culture in which new ideas are valued and sought out. Indeed, Stevenson's theory has provided with a conceptualization of entrepreneurship that places it within a broader management framework and is coherent with classical as well as contemporary schools of entrepreneurship. The theory categorizes the management behavior along six dimensions, all of which are supported by strategic management principles all basic in business linkage development: Strategic Orientation, Commitment to Opportunity, Commitment of Resources, Control of Resources, Management Structure and Reward Philosophy (Brown, Davidsson and Wiklund 2001). Thus dairy entrepreneurs identify business opportunities for linkages to create and deliver value for stakeholders in prospective ventures. While elements of

opportunities may be recognized, opportunities are made, not found such as initiating subcontracts or joint ventures.

2.3 Social Capital or Social Network Theory

In explaining the connection and relationship in a social structure like a business, the researcher employed the Social Network Theory (SNT) which is a social science concept. According to the theory developed in the 19th century, a social network is a generic set of nodes or actors and the way they are connected by a set of social relationships, ties, or a specified type of ties (Mastura, Abdul-Rashid and Muhammad-H 2009). These actors could be individuals, businesses, organizations, industries, or even nation states. Their ties may be based on conversation, affection, friendship, kinship, authority, economic exchange, information exchange, or anything else that forms the basis of a relationship. In a network, flows between objects and actors and exchanges, which might contain an advice, information, friendship, career or emotional support, motivation, and cooperation, can lead to very important ties and effects. Mastura, Abdul-Rashid and Muhammad-H 2009) further explains according to the theory, entrepreneurs are embedded in a larger social network structure that constitutes a significant proportion of their opportunity structure. Literature on this theory shows that stronger social ties through networking by resource providers facilitate the acquisition of resources and enhance the probability of opportunity exploitation. In all environments, entrepreneurs must build reputation-enhancing relationships with outside resource providers who are willing to share valuable information, technology, and finance. The use of SNT in entrepreneurship started with a study in the 1980s (Birley 1985). This study concluded that entrepreneurs use their own informal business and personal networks to establish new firms and grow existing ones.

The application of this theory is informed in the way linkages are developed between players in dairy industry whether it is between producers and input suppliers, processors and transporters, processors and distributors or distributors and retailers. Relationships may initially start as a social activity but eventually develop into a mutually beneficial business relationship possibly leading to growth, including in employment. In the same vein, Birley (1985) argues that although entrepreneurship is a vital factor in the economic development process, in practice it has to face the problem of adequate information regarding the potential opportunities in environment, demand and choice of potential customers, sources of necessary resources for new goods, various aspects of the markets and marketing strategies, existing and probable competitors, suppliers of raw materials, required technology and expert personnel, etc. As a result, if entrepreneurs want to collect this information by using the traditional methods then it will cost more to the entrepreneurs and this cost also leads to increase in the production and as a transaction cost too. This means business linkages in the form of networking will not necessarily reduce business costs or lead to business growth, but invariably, dairy value chain players are constantly in contact and share valuable information.

2.3 Economic Theory

All business linkage activities in business are likely to be motivated by economic objectives. In economic theory, entrepreneurship and economic growth take place when the economic conditions are favorable. The firm is seen as an input combiner and organizer, largely dependent upon the economic policy programmes and economic environment of that country. Burnett (2000) avers that entrepreneurship arises to make up for a market deficiency and thus entrepreneurs are resources and more importantly, own the other factors of production. Therefore, the level and the need for establishing business linkages such as outsourcing, subcontract, joint venturing or firm clustering together will be motivated by the economic conditions of the enterprises and guided by the entrepreneurs. Some of the major weaknesses of the economic theory are that it assumes inputs to be homogeneous and can be purchased by all at a given price (Dollinger 2008) and that the association between entrepreneurship and economic growth is ambiguous because they have been found both positive (Acs and Mueller 2007) as well as negative (Mueller, Van Stel and Storey 2008).

Arguments on the entrepreneurship effect of economic growth are conflicting because entrepreneurship may be mediated by forces that are internal to the country (environmental) and it is recognized that mere existence of resources does not guarantee economic growth. In agreeing with these criticisms, Drucker (2005) argues that the economic theory is in total conflict with the innovation theory. The theory indeed does not explicitly reveal how entrepreneurial activities of initiating and developing business relationships such as sub-contracting, outsourcing, and networking will affect the economics of a firm and specifically employment. This is despite the fact that experience shows that progress is basically the human effort and it takes human agents to mobilize capital, to exploit natural resources to create new markets and to carry on trade activities that result in the creation of new job opportunities.

2.4 The Schumpeterian Innovation Theory

Dairy enterprise managers need to exhibit entrepreneurial characters and posture for the enterprises to grow. According to the Schumpeterian innovation theory (Desai 2009), entrepreneurship is the central catalyst of the development process because the entrepreneur in the modern complex economic world can create opportunities for production technology, by expanding or discovering new market, new product, new source of resources, etc., in the process of innovation. All these activities will embrace risk and uncertainties and at the same time will increase the demand for higher or increased investment in the economy. Drucker (2005) views innovation, resources, and an entrepreneurial behavior as the keys to entrepreneurship. Innovation can be divided into three categories, namely, product innovation, process innovation and organizational innovation and is seen as the source of the entrepreneurial rewards with profits as the indicator. Drucker (2005) further argues that innovation is one of the most critical competitive advantages of a firm and that such an intangible resource, is a kind of capital for the organization to possess as a

competitive advantage. Empirical studies by Acs and Audretsch (1988) concludes that strategic variables, such as innovativeness of market behavior, count high in enterprise learning under the external dynamic environments. In other words, strategy of innovation plays an important role in the dynamic business environment and can influence how a business grows. Rightly, therefore, business linkage activities of sub-contracting, outsourcing, networking, joint venturing, clustering and licensing could be viewed as innovations initiated by entrepreneurs. Dairy entrepreneurs must demonstrate their innovative abilities by constantly seeking opportunities between and among other dairy enterprises.

According to Kwabena (2011), Schumpeter's innovation theory has been criticized for ignoring the entrepreneur's risk-taking ability and organizational skills, and placing undue importance on innovation. Critics of the theory also argue that it largely applies to large-scale businesses and ignores economic conditions that force small entrepreneurs, especially in developing countries, to imitate the niche market rather than innovate (Salemi 2009). Dollinger (2008) too avers that forces other than the entrepreneur may present potential shocks to the circular flow and may result in the creative destruction of capital, making it available for deployment. The Schumpeterian model of the theory of entrepreneurship makes no attempt to deduce what the innovating entrepreneur does or how he or she can do it better, neither does it make any pretense of constituting a piece of theoretical reasoning.

2.5 Other Theories

The Austrian Market Process (AMP) model influenced by Joseph Alois Schumpeter (1934) concentrated on human action in the context of an economy of knowledge. Schumpeter described entrepreneurship as a driver of market-based systems. In other words, an important function of an enterprise was to create something new which resulted in processes that served as impulses for the motion of market economy. Alvarez and Barney (2001 and 2000) explain that the unanswered questions of the neo-classical movement led to this new movement which became known as the Austrian Market Process (AMP). Murphy, Liao and Welsch (2006) contend that the AMP offered a logic dynamic business reality. In explaining this, scholars point to the fact that knowledge is communicated throughout a market system (e.g. via price information) as in networking, innovation transpires, entrepreneurs satisfy market needs, and system-level change occurs. If an entrepreneur knows how to create new goods or services, or knows a better way to do so, benefits can be reaped through this knowledge. Entrepreneurs effectuate knowledge when they believe it will procure some individually-defined benefits.

The theory is criticized in that market systems are not purely competitive but can involve antagonist cooperation and indeed activities like clustering involve sectoral firms who may be competitors.

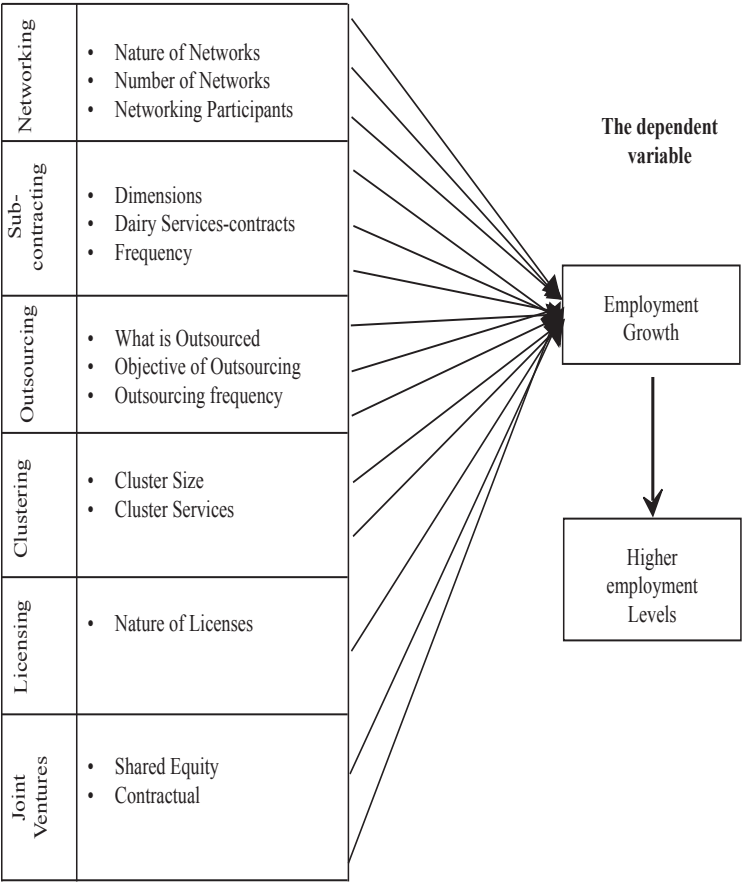
In explaining the dependent variable the Keynesian theory of employment, advanced by John Maynard Keynes and referred to as the General Theory

of Employment was analyzed. The theory argues that unemployment is not only a persistent feature of the capitalist economy, but worse, there are no endogenous market processes that would eliminate unemployment. In other words, Keynes (like the classical economists Ricardo and Marx) did not see unemployment as a simple market failure such as inability to initiate business linkages. Instead, unemployment results from insufficient effective demand and can only be resolved by creating more jobs which in turn requires higher demand for the output that would be generated by the additional workers. Going by this theory, unemployment is normal, resulting from the operation of market forces, and thus can be resolved only through purposive social policy well-targeted to raise aggregate demand and provide jobs for the unemployed. In this case, the model may be used to point to linkages in businesses as part of purposive business policy that may be used to drive employment. Business linkages may not eliminate unemployment but can influence new job creation.

2.6 The Conceptual Framework

As explained in the choice of the theoretical framework, the Stevenson's Opportunity-Based Management Theory (OBMT) was used to study the predictors of employment growth taking into account the nature of the environment and the enterprises themselves. The conceptual model in this research proposes the postulated factors (independent variables) of networking, sub-contracting and outsourcing practices; clustering of enterprises, licensing activities and creation of joint ventures by and with firms in the dairy sub-sector and the dependent variable (employment growth) and illustrates the expected relationship between them. Using the measurements of the independent variables (postulated factors), employment growth is predicted on the basis of OBMT. The prediction of employment growth is then confirmed through measurement of employment levels.

Business Linkages



The Independent Variables

Figure 1. The Conceptual Framework

SOURCE: Author (2012)

3. Analysis of Findings and Discussions

3.1 Introduction

The study sought to investigate the role of business linkages on employment growth among the dairy enterprises in Kenya. The data was subjected to both descriptive and inferential statistical analysis and was guided by the following six key questions, namely:

- i. Does outsourcing among the dairy enterprises enhance growth of employment?
- ii. Does networking among the dairy enterprises lead to increased levels of employment?
- iii. Does subcontracting enhance growth in employment opportunities among dairy enterprises?
- iv. Can joint venturing among the dairy enterprises lead to increased levels of employment?
- v. Does business clustering lead to growth in employment opportunities among dairy enterprises?
- vi. Can licensing as a form of business linkage lead to increased levels of employment among the dairy enterprises?

3.2 Key Descriptive Statistics

3.2.1 Business Linkages and Employment Growth

Regarding outsourcing, the majority of the respondents (53.7 per cent) felt it had low contribution to employment growth, 25.4 per cent felt it had a high contribution while 10.4 per cent thought it had low effect on employment growth. On networking, the majority of the respondents (35.8 per cent) felt that networking had a high contribution to employment growth and 26.91 per cent had a feeling that it contributed very highly to the growth of employment in dairy business. On the other hand 14.9 per cent felt networking had low contribution to employment growth while 20.9 per cent felt networking accounted for very low increase of employment while 1.5 per cent felt networking contributed to no employment growth. Regarding the contributions of sub-contracting activities to employment growth, respondents had mixed feelings. A slight majority (25.4 per cent) and 22.4 per cent felt it contributed to high and very high increases, respectively, while 17.9 per cent felt it had no effect, 19.4 per cent felt it contributed to a marginal decrease and 14.9 per cent felt subcontracting led to high decreases in employment. A high majority (88.1 per cent) of respondents felt that business licensing did not contribute to the growth of employment in a business. An insignificant number felt licensing contributed slightly either to growth or decline in employment. Only 4.5 per cent and another 4.5 per cent of the respondents felt business clustering contributed to very high and high employment growth in the dairy industry, respectively. A great majority (83.6 per cent) felt clustering contributed to no employment growth. Finally, 77.6 per cent of the respondents felt joint ventures contributed to no growth at all to employment in the dairy industry

while 3 per cent felt joint ventures accounted for a marginal decrease and only 1 per cent felt joint ventures were responsible for a high decrease in employment. However, 7.5 per cent felt joint ventures accounted for a high increase in employment and 10.4 per cent reported joint ventures accounted for the marginal increase in employment in the dairy sub-sector (table 1).

Table 1. Business linkage's contribution to employment growth

Contribution	Response	Response
<i>Outsourcing</i>	<i>Frequency</i>	<i>Per cent</i>
Very High	7	10.4
High	17	25.4
Low	36	53.7
Very Low	7	10.4
Total	67	100.0
<i>Networking</i>	<i>Frequency</i>	<i>Per cent</i>
Very High	18	26.9
High	24	35.8
None	1	1.5
Low	10	14.9
Very Low	14	20.9
Total	67	100.0
<i>Sub - Contracting</i>	<i>Frequency</i>	<i>Per cent</i>
Very High	15	22.4
High	17	25.4
No effect	12	17.9
Marginal Decrease	13	19.4
High Decrease	10	14.9
Total	67	100.0
<i>Licensing</i>	<i>Frequency</i>	<i>Per cent</i>
Very High	2	3.0
High	3	4.5
None	59	88.1
Low	2	3.0
Very Low	1	1.5
Total	67	100.0
<i>Clustering</i>	<i>Frequency</i>	<i>Per cent</i>
Very High	3	4.5
High	3	4.5
None	56	83.6

Table 1. *Contd.*

Contribution	Response	Response
Low	2	3.0
Very Low	3	4.5
Total	67	100.0
<i>Joint Venturing</i>	<i>Frequency</i>	<i>Per cent</i>
Very High	5	7.5
High	7	10.4
None	52	77.6
Marginal decrease	2	3.0
High Decrease	1	1.5
Total	67	100.0

3.2.2 Dairy Firms and Employment Issues

The study sought to explore the nature of employment, existence of employment policy and level of employee utilization. A majority (58.2 per cent) of the employees in the enterprises surveyed were permanent while 32.8 per cent were on contract with 4.5 per cent being casuals. The combined high number of those on contract and casual is mainly because of the seasonality experienced in the dairy industry. The high number of those on permanent basis is due to the fact that a high number of those interviewed owners or managers.

Table 2. Dairy firms and employment issues

Nature of employment	Frequency	Per cent
Permanent	39	58.2
Contract	22	32.8
Casual	3	4.5
Part time	2	3.0
Others	1	1.5
Total	67	100.0
<i>Employment Policy</i>	<i>Frequency</i>	<i>Per cent</i>
Yes	40	59.7
No	27	40.3
Total	67	100.0
<i>Level of utilization of Employees</i>	<i>Frequency</i>	<i>Per cent</i>
Highly over-utilized	17	25.4
Adequately utilized	37	55.2
Underutilized	7	10.4
Highly underutilized	5	7.5
Not sure	1	1.5
Total	67	100.0

During the periods of milk glut, enterprises handle more milk and thus correspondingly add on their workforce in the form of casuals and the numbers are reduced with decreased milk intakes. Such other services as

transport demand increases with milk intakes. This behavior affects job creation in the same manner.

Regarding employment policy, a slight majority (59.7 per cent) of firms interviewed did have an employment policy while others (40.3 per cent) did not. The majority of those firms without an employment policy were likely to be micro and small enterprises operating informally or in the process of formalizing their status although the existence of an employment policy is not a measure of formality.

As for the of utilization of employees, a majority (55.2 per cent) of the respondents felt that their organization adequately utilized their employees while 25.4 per cent felt they were over-utilized while a combined 17.9 per cent felt they were either underutilized or highly underutilized. A mere 1.5 per cent was not sure of the level of utilization. This explains the different types of employment exhibited in the labor markets as explained by economists and policy makers. The varying levels of utilization may be explained by the seasonality in the sub-sector.

3.3 Hypothesis Testing

The study findings were subjected to further analysis to establish the extent of the relationship between the postulated and the dependent variable. To test the determinants of employment growth, a binary logistic regression analysis was performed.

Table 3. Binary logistic regression

Variable	B	S.E.	Wald	df	Sig.	Exp.(B)
Joint venture	1.121	1.039	1.165	1	.280	3.069
Clustering	-1.017	3.677	.077	1	.782	.362
Licensing	1.371	14.987	.008	1	.927	3.939
Subcontracting	-.215	.454	.225	1	.635	.806
Networking	2.267	.873	6.747	1	.009	9.647
Outsourcing	3.356	1.228	7.474	1	.006	28.670
Constant	-21.023	44.243	.226	1	.635	.000

Using these analyses, the contributions of each of the independent variables to employment growth in the dairy enterprises were measured. Only two independent variables, networking and outsourcing, were found to be significant. Using the results of the analysis, the hypotheses were tested as follows:

Hypothesis 1: *This hypothesis was to test the effects of business outsourcing activities in employment creation among dairy enterprises.*

Enterprises in the dairy industry are involved in building strong partnerships through outsourcing relationships. Products and services most

outsourced include raw materials [milk], transport, training, machines and equipment. Outsourcing was found to be significant at 0.006 level of significance, [Exp (B) 28.670] indicating that outsourcing was important in enhancing the generation of new employment opportunities among dairy enterprises. This means that there is a positive relation between outsourcing as a business linkage and employment growth since the Exp (B) is greater than one with a p-value of 0.006.

Several studies confirm while others are in conflict with these results. According to Gartner, an independent research company, the worldwide business process outsourcing segment was estimated to expand from \$160.7 billion in 2007 to \$235.2 billion by 2011, a compound annual growth rate of 10.3 per cent (Musico 2008), exemplifying its importance. These findings are further supported by Elmuti, Julian and Abebe (2003) who cite several authors (Casale 1996; Sinderman 1995; Outlay and Ranganathan 2005) agreeing that if outsourcing is implemented with prior planning, it can result in lowered cost, increased capacity and productivity, and can sometimes lead to downsizing to a specific firm while creating additional jobs in another. In other words, the outsourcing firm may experience benefits but not necessarily in terms of employment growth whereas the outsourced firm may create more jobs and experience changes in income and profitability.

Further empirical analysis reveals contrasting results. A study by Geurts (2009) based on two conflicting hypotheses reflecting opposite views found that outsourcing causes short-term job losses in the outsourcing firm while job losses in the outsourced segments are counterbalanced by a strengthening of other activities in the short term, and by enhanced firm performance in the midterm, resulting in the creation of new jobs (Quinn 1992; Görg and Hanley 2005).

Another study with conflicting findings by Dodsworth and Constable (2006) reports that the majority of employees cite job security as their primary concern during an outsourcing process. However, several studies agree that outsourcing leads to a reduction in the workforce of the outsourcer, but job loss due to outsourcing is offset by the creation of new jobs in other activities, resulting in zero or positive employment growth in the outsourcing firm. Studies show that even where employment decreases, it is in the short run; Görg and Hanley (2005) uses plant level data for the Irish electronics sector and concludes that outsourcing significantly decreases labor demand in the short run.

Görzig and Stephan (2002) analyze the impact of outsourcing on the firm-level performance of German manufacturing firms in the period between 1992 and 2000 using a large dataset of 43,000 firm-year observations. They use three proxies to capture the degree of outsourcing of the firms: material inputs over labor cost, representing the “make or buy”-type of outsourcing, external contract work over labor costs as proxy for the outsourcing of production functions, and external services over labor costs. They can show that all three types of outsourcing lead to better performance in terms of return per employee. On the other hand, only increased material input has a positive influence on overall firm performance measured as return over

sales while service outsourcing has a negative effect (Gorg and Hanley 2004).

Empirical data available is rather general and scanty, and does not focus specifically on the effects of outsourcing on employment levels. However, a study by Geurts (2009) found several relationships between outsourcing and employment growth. It also reports several contradictions in the findings, some of which can be explained either because of focus of the study or the nature of outsourcing.

Hypothesis 2: *This hypothesis was to test the effects of business networking activities on employment creation among dairy enterprises.*

The study sought to know if dairy enterprises were networking with other enterprises. Networking was found to be common among dairy firms with the most common mode of networking being market information sharing. Networking was found to be significant at 0.009 level (p-value) of significance and [Exp (B) 9.647] indicating that it was important in generating new employment opportunities among dairy enterprises. This means that there is a positive relation between networking as a business linkage and employment growth since the Exp (B) is greater than one.

These findings are supported by several studies. Mullei (2003), in an analysis of the foreign domestic networking in the tourism sector, showed that small domestic firms, which collaborate with large foreign firms in the same line of business, benefited by experiencing significant increases in employment, sales and/or assets. In the study, outsourcing, subcontracting or other linkage arrangements between hotels and MSEs were found to be an important means of developing small enterprises. Specifically, the study gives an analysis of successful examples of business linkages in Kenya and across the world. The study reported that small firms in the tourism industry, for instance, with frequent contact and linkages of networking with large firms (vertical) in the same line of business were found to achieve a higher growth in employment, i.e., growth by 19.09 workers than those without such networks, which were found to grow by only 8.29 workers.

According to Mullei (2003), Mercantile Consolidator Co. Ltd and Trans Air Cargo Ltd are two freight companies who provide important international market linking services for small enterprises involved in the manufacture and wholesale of garments in Bangkok. Both companies operate a freight forwarding company. While the transportation service offered to small enterprises is not unique, the two companies have developed a brokering role between international buyers and the small enterprise manufacturers and wholesalers. Both companies provide information (networking) on the prices of enterprise products to international buyers and undertake procurement and purchasing and handle payments on behalf of international buyers. Overall, the firms involved in these relationships showed gradual growth including in employment levels although not explicit in the findings.

Also findings by (McCormick and Atieno 2002) found that linkages, in the form of networking, help to reduce the uncertainties faced by enterprises and offer a number of potential benefits to firms: helping to improve firm performance by reducing marketing costs, increasing firm flexibility, improving skills and their diffusion, as well as facilitating information-sharing. Such benefits lead to firm growth which may include employment growth.

Hypothesis 3: *This hypothesis was to test the effects of business subcontracting activities on employment creation among dairy enterprises.*

This study identified several sub-contracting activities among dairy firms in Kenya ranging from transportation service to training and servicing of machines and equipment. Regarding the contributions of sub-contracting activities to employment, the study did not establish any significant relationship between business subcontracting and employment growth among dairy enterprises because the p-value for the subcontracting as a predictor was way more than 0.05 at 0.635.

Whereas empirical literature confirms how subcontracting can facilitate business growth by expanding a firm's set of viable business opportunities and improving firm capabilities (Luo 2002), there is scanty information on the relationship of subcontracting and employment growth. Literature confirms that more business opportunities become viable because subcontracting decreases the risks and costs associated with entering new markets. A study by Luo (2002), for instance, reported that a firm starting up production under a sub-contracting arrangement is exposed to less risk because a ready market exists for output. In addition, costs are reduced, as the entrant typically needs to make fewer capital investments. It is therefore likely that since employees form part of a firm's costs, sub-contracting firms may suffer job losses, at least in the short run. Luo (2002) actually concludes that despite the potential benefits of sub-contracting, the practice is relatively uncommon in many contexts and that it is widely visible in East Asia, but far less prevalent in Africa and Latin America.

Hypothesis 4: *This hypothesis was to test the effects of business joint venturing activities on employment creation among dairy enterprises.*

The study did not establish any significant relationship between joint ventures and employment growth among dairy enterprises because the p-value for the joint venturing as a predictor was more than 0.05 at 0.280. Empirical analyses of the effects of joint ventures to employment growth are very scanty and generic in firm performance. Luo (2002) found that joint ventures established in the same industrial sector as their parents performed better than those in unrelated sectors but the study is not specific on issues of employment. A study by EU (2011) reports several benefits of joint ventures such as improving competitive position, access to new markets, combination of complementary skills to develop more integrated skills and access to partners' human resource skills, but it does not show how the partner firm's employment levels are affected.

Hypothesis 5: This hypothesis was to test the effects of business clustering activities on employment creation among dairy enterprises.

Indeed the study did not establish any significant relationship between business clustering and employment growth among dairy enterprises because the p-value for the clustering as a predictor was way more than 0.05 at 0.782. Empirical literature shows that business clustering may lead to business growth but not necessarily in terms of employment level. Tom De Witt (undated) found that clustering leads to new business formation where new companies grow up within an existing cluster, rather than in isolated locations. This was found not to be surprising because it is often easier to identify perceived gaps in the marketplace, there are lower barriers to entry than those outside the cluster, and there is a significant local market to which the new company can market their products. Clusters afford lower barriers to entry than elsewhere, as the needed assets, skills, inputs, and staff are often readily available at the cluster location, waiting to be assembled into a new enterprise.

Companies co-located with others in the same sub-sector show a strong tendency to grow faster than average.

In contrast, Hussain (2000) studied clustering in Mauritius Export Processing Zone (EPZ) and found that the EPZ was the largest employer in Mauritius accounting for over 30 per cent of employment and the labor market is in virtual full-employment owing to the benefits accrued from business clustering. Though not very explicit on the contributions of clustering to employment growth, numerous other studies (Reuer 2001; Schmitz 1992) show that industrial clusters or districts exist in developing countries and virtually all sectors such as manufacturing, metalwork, upholstery, textiles, electronics, sports, etc., and in many countries including in Africa, such as in Kenya, Ghana, Tanzania, etc. This is an indicator of the critical importance of clustering in the growth of a business.

Hypothesis 6: This hypothesis was to test the effects of business licensing activities on employment creation among dairy enterprises.

Licensing was found to be not significant in employment growth among dairy enterprises. The p-value for licensing as a predictor was more than 0.05 at 0.927. Indeed, literature on licensing in Kenya and generally developing countries is scanty and the activity is rare among dairy enterprises in Kenya as confirmed by the study. Contrary to these findings, an empirical study (GTZ 2006) showed that in the year 2000, Coca Cola established a franchise-like system in South Africa and as a result of the program, 7,000 people were trained and 6,500 outlets emerged. In total, 12,900 jobs were created within the Coca Cola System. Coca Cola's main partners were the local bottling companies. As regards such business linkages with Trans National Enterprises (TNEs), the number of jobs increases because a growth path is opened up for local enterprises. Such linkage arrangements can be replicated along the dairy value chain where small entrepreneurs can increase their income while the unemployed can benefit from the creation of employment opportunities within the dairy

value chain. Generally, however, as for the other four variables, empirical data is limited to the business linkage and employment growth.

3.4 Overcoming Constraints to Employment Growth

To overcome these constraints, respondents provided a range of suggestions:

- use of competitive prices to ensure increased volumes and constant supplies thus ensuring that employees are retained through the milk glut and low seasons because of sustained operational capacities;
- aggressive marketing of products and services to retain existing markets and gain new ones;
- seeking affordable loans and advances from banks;
- encouraging value addition at different stages of dairy value chain;
- collaborations with other players in the industry, and
- product/service diversification by firms so that businesses do not over-rely on milk alone especially during low milk seasons. This will enable dairy enterprises avoid lay-offs during such seasons.

In order to build sustainable business linkages for employment growth, the study suggested adequate negotiations by firms before committing to any form of business partnerships; payment of dues promptly by partners where applicable; research on the most appropriate business linkages; open-sharing of information among potential or existing business partners; training of potential participants and respect for businesses to business partnerships

4. Conclusions and Recommendations

4.1 Conclusions

Generally, from the findings, both primary and secondary, several conclusions were drawn. The high level of fragmentation among dairy firms increases transactional costs and amplifies the effect of seasonality. This erodes economies of scale and scope and explains why the majority of the enterprises have remained small and informal. Strategic business linkages can open up opportunities for an enterprise to create more or improve the nature and quality of employment. This is because business linkages overall contributed to growth of business in terms of gaining market share, increasing number of products, improving business turnover levels and profitability, all of which have a positive effect on employment levels. The industry-wide capacity utilization in the dairy industry is low, with the majority operating at 40 per cent and under. Both primary and secondary data show that a majority of the dairy enterprises operate at below capacity which implies that some of their resources at some point are idle or not fully utilized. Some form of collaboration would reduce or eliminate such situations and improve efficiencies.

There is limited use of innovative practices such as equipment leasing/hire, contract management, sub-contracting of non-core services, joint ventures

of some activities such as installation of heavy equipment, licensing other companies to produce and market certain products, etc. In fact this is only limited to outsourcing of transport and training services. This way, dairy firms have been unable to manage costs and increase profitability which could be re-invested to improve and increase capacity thereby creating more job opportunities. Indeed, as regards business growth, theory assumes that entrepreneurs desire rapid business growth and that entrepreneurial management will help create it. An entrepreneurial firm encourages ideas, experimentation and creativity, thus developing an entrepreneurial culture in which new ideas are valued and sought out. Since opportunity is the starting point, a broad range of ideas is worth seeking and considering. This argument puts the focus on entrepreneurship as the pursuit of opportunity irrespective of organizational context. This opportunity-oriented conceptualization of entrepreneurship is supported by classical theorists such as Kirzner's (1979) alertness to opportunity.

Financial constraint is the single most significant constraint experienced by dairy enterprises and thus a critical hindrance to job creation among dairy enterprises in Kenya. This means dairy enterprises are unable to access credit to finance their operations such as marketing, and buying of equipment, among others. The Entrepreneurial Opportunity-Based Management theorists, however, argue that entrepreneurship is an outcome of complex balancing of opportunity initiatives, risks and reward and is a process by which people pursue opportunities, fulfilling needs and wants through innovations, without regard to the resources they currently control. Firms therefore can seek joint activities or subcontract to guard against financial difficulties. From the findings, licensing, clustering and joint ventures are not common among the dairy enterprises in Kenya despite evidence from the literature that shows how firms can benefit from such inter-firm activities.

Education plays a critical role in enterprise growth because it has direct implication on the innovativeness of the entrepreneur, critical in opportunity recognition. This is in line with the economic theory which indicates that progress is basically the human effort and it takes human agents to mobilize capital, to exploit natural resources to create new markets and to carry on trade (Drucker 2005). The majority of workers in the dairy enterprise management are non-degree holders. This has a direct implication for their capacity and entrepreneurial attitudes. It may also account for the low innovativeness experienced in the industry. There is widespread lack of an employment policy among dairy enterprises. Entrepreneurial character and orientations of individuals will determine the ability to initiate innovative and beneficial partnerships.

Provision of basic infrastructure such as water, electricity and roads to reduce the cost of business operations, particularly because milk is a highly perishable commodity, can lead to the overall growth of the dairy sub-sector and by extension, employment. Infrastructures such as the on-going rural electrification and road development means dairy entrepreneurs can invest in coolers and cottage industries in rural areas thus creating jobs. It is

also important to form strong dairy business associations for advocacy and lobbying. The existence of many dairy cooperative societies in Kenya is a clear indication that firm cooperation of any form can be beneficial for the overall enterprise growth. Indeed, employment creation cannot be in vacuum. A dairy enterprise is likely to create jobs if growth is in all dimensions such as expansion, turnover, size and product diversification, profitability and sales dimensions.

4.2 Recommendations

From the foregoing, the researcher has put forward several recommendations. There is need to recruit highly qualified and motivated self-staff who are likely to be entrepreneurial and multi-skilled. This will lead to enhanced good management practices at dairy enterprise level. Through business skills and management training, owners, managers and employees will be equipped to ensure business growth, thereby boosting chances of job creation.

There is need for aggressive awareness creation among players in the dairy industry on the linkage gaps and the importance of business linkages so that the relationships are beneficial to all parties. This should be enhanced by developing official contracts or agreements between linking firms or partners to define the nature of the relationship and to avoid misunderstanding such as in subcontract agreements. In case of misunderstanding between firms in a relationship, they should be attended to promptly once they occur to ensure no breakdowns of such relationships in the dairy sub-sector. The government of Kenya should consider creation of coordination mechanism within the Kenya Dairy Board to coordinate and promote collaboration among stakeholders for joint approaches in business development to reduce fragmentation of efforts. Indeed, the dairy sub-sector in Kenya is rather well developed with massive interests from both government and the private sector. There are numerous developmental and non-governmental organizations participating in the dairy sub-sector development that can spearhead beneficial business linkage activities.

The government and the private sector should upscale promotion and skills development, and encourage innovation. Strengthening the supply capacity of local firms is, in most cases, the key challenge for developing business linkages in developing countries. This requires the development of skills in different fields, ranging from technical skills in production processes to management competences. Education policies with a focus on technical and managerial skills are important. Indeed, the high presence of development partners in the dairy industry is an indicator of the potentiality in the industry not only for job creation but general economic development.

The government should consider promoting the development of dairy industrial clusters. Cluster initiatives allow for economies of scale and agglomeration and also help to develop an experienced local pool of skilled labor and a network of firms cooperating in complementary areas of specialization. By doing so, they strengthen their comparative advantages in a sustainable manner and will experience growth including in job creation.

It is also important to strengthen research and development in the various forms of business linkages that would be mutually beneficial to firms and likely to create jobs.

In the same line, the government should initiate incentives for growth-oriented business linkages where growth is likely in order to address the high unemployment in Kenya. Large enterprises should be encouraged through an incentive scheme to initiate and agree to develop partnerships with small enterprises to accelerate technology transfer.

The Kenya Dairy Board has a management information system in place. The Ministry of Agriculture and the Kenya Dairy Board need to provide relevant information to the mass media for dissemination to dairy farmers and processors. If not locally available, the government should assist dairy entrepreneurs and other willing investors to acquire appropriate dairy processing technology from abroad with an appropriate financial instrument. This will boost capacity and create more employment. The Kenya Dairy Processors Association, in collaboration with the Kenya Dairy Board and the Ministry in charge, need to take the lead in this effort. Policy should be geared towards encouraging the processors to adopt cheaper, domestically available packaging materials. The goal should be to encourage competition and efficiency in packaging across the country. This recommendation is based on the fact that evening milk which comprises a significant proportion of total production in the study area (currently estimated at around 40 per cent) is not being tapped, primarily due to lack of coolers among existing smallholder dairy cooperative societies and SHGs.

Financing all the dairy value chain activities will provide an immense opportunity for growth of the sector and offers realistic chances of creating new job opportunities. These include: acquisition of superior breeds through micro-leasing; preservation of excess fodder during the wet season; supply of low-cost farm-level cooling technologies, e.g. biogas and solar cooling; creation and distribution of dairy training materials such as books, video, web-portals; feed manufacturing; investment in and expansion of dairy plants as production rises; investment in insulated transport tankers; manufacturing or distribution of affordable packaging materials and setting up of professionally managed milk bars for micro-traders.

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CHAPTER 10

Socioeconomic Causes of Urban Unemployment in Ethiopia

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1. Introduction

Africa, like its higher rate of poverty, is also known for its higher unemployment. The failure to create more and better-paid jobs to meet the needs of the growing labor force and reduce poverty remain fundamental issues in many African countries. A spatial perspective of Africa's labor market outcome witnessed higher rates of unemployment in urban areas than in rural ones. The rate of unemployment is about 3 times higher in urban areas than in rural areas (ADB 2010).

Similar to other sub-Saharan Africa countries, employment in Ethiopia is characterized by a heavily segmented labor market situation. The rural labor market is known by a pervasive problem of underemployment while the urban one is characterized by a severe open unemployment (EEA 2007). As Guarcello, Lyon and Rosati (2008a) put it, unemployment in rural Ethiopia is lower, but with extremely low level of human capital, high underemployment and few chances to be employed in the formal sector. In urban areas, on the other hand, although the labor force may face relatively better prospects in terms of income and employment quality, finding a job is difficult and hence higher unemployment, especially youth unemployment. According to the Central Statistics Agency (CSA) labor force surveys, the average unemployment rates for urban areas were 26.4 and 20.6 per cent in 1999 and 2005, respectively; while they were 5.1 and 2.6 per cent for rural areas in the same periods. The situation is rather worrisome in relatively bigger cities. For instance, the overall unemployment rate in Addis Ababa was as high as 38.5 per cent in 1999 and 31.7 per cent in 2005 (Tegegn 2011).

The government of Ethiopia has been implementing poverty and unemployment reduction policies since 1991. In particular, promoting micro and small-scale enterprises, expanding microfinance services, reforming the education and training system, encouraging inflow of FDI and promoting labor-intensive technologies are among those worth mentioning. The achievements in the health and education sectors and the sound economic growth since 2004 can be considered as some of the indicators of the government's development endeavor. Despite such promising achievements, the incidence of urban unemployment rate is still higher and persistent. According to the urban employment-unemployment surveys of

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CSA, the average urban unemployment rates of Ethiopia for people aged between 10 and 64 years was 26.3 per cent in 2003 and it stood at 18 per cent in 2011. In fact, the situation suggests the urgency of a deep and rigorous examination of the root causes of the problem.

There have been some empirical studies conducted on urban unemployment in Ethiopia. For instance, Tegegn (2011) has assessed the socio-demographic determinants of urban unemployment in Addis Ababa by employing logit regression on the 1999 and 2005 CSA's labor force surveys (LFS). He found that demographic variables, education and training are important factors that determine the probability of being unemployed. The study of Guarcello, Lyon and Rosati (2008), using probit estimation on 2001 LFS data, shows that the employment chance of youth significantly vary with gender, household income and education. Seife (2006) employed the 2000 Ethiopian Urban Socio-Economic Survey for parametric and semi-parametric models and found out that age, marital status, level of education, location of residence and support mechanism significantly affect the spell of unemployment. Serneels (2007) applied a probit and proportional hazard duration models on the 1994 Ethiopian Urban Socio-Economic Survey to explore the incidence and duration of unemployment among young males (aged 15-30). He argues for the queuing hypothesis, that is, male youths remain unemployed until they find lucrative jobs. Getinet (2003), using multinomial logit estimations on the 1994 and 2000 Urban Socio-Economic Surveys, indicates that employment status of young people vary with their educational attainment.

The existing studies are not only few in number but also mostly focus on discussing either the demographic determinants of unemployment or duration of unemployment. Some of them are limited in scope and most of them, but two studies, didn't consider urban location as an important factor in explaining urban unemployment. They used older and single cross-sectional datasets, except that two studies used two cross-sectional datasets. Therefore, they are unable to explain empirically how unemployment is changing over time. In addition, they didn't adequately and explicitly analyze the effects of policy responses, such as TVET and MSE development, which are meant for reducing unemployment.

As stated in PASDEP (Plan for Accelerated and Sustained Development to End Poverty) and in its successor the Growth and Transformation Plan (2010/11 – 2014/15), the government has been promoting the development of micro and small-scale enterprises (MSEs) recognizing that they are the dominant sources of employment and income for a wider group of the society (FDRE 2010). In this regard, identifying factors that affect employment creation capacity of MSEs has policy relevance. Unfortunately, it is difficult to find empirical evidences on factors affecting employment growth within MSEs in Ethiopia. Birhanu, Abraham and van der Deijl (2005) discuss the support given to MSEs and the employment created before eight years in Ethiopia, relying mainly on the report of the

Federal MSEs Development Agency (FeMSEDA). Recently, Rahel and Paul (2010) describe the growth determinants of women-operated MSEs in four kebeles of Addis Ababa city. However, the scope of their study is quite limited and focused on simple description of the employment size of MSEs. What remains is an objective analysis supported by econometric models to determine the employment growth within MSEs by taking into account the current situation in urban Ethiopia.

Furthermore, major policy reforms have been made in the education and training sector. The new education and training policy was designed and has been implemented since 1994, and notably, the first National TVET strategy has been in effect since 2002. Consequently, access to education and training at all levels has significantly increased (MoE 2008). These policy reforms and developments in the education and training sector are supposed to improve the skills and employability, and hence the labor market outcomes of the labor force. However, none of the studies in Ethiopia so far have assessed the effect of the TVET program on the labor market outcomes of trainees. Although Birhanu, Abraham and van der Deijl (2005) and Guracello, Lyon and Rosati (2008) discuss the existing education and training policies, they didn't objectively assess the effects of the policy reforms on the labor market outcomes of the labor force. This suggests the need to start filling up the existing research gap.

Therefore, we argue that, relative to the persistent and severe unemployment problem in urban Ethiopia, empirical studies conducted so far are limited in number and are not recent enough to explain the current situation. We also argue that the effect of policy interventions aimed at addressing the problem of urban unemployment is still an under-researched issue in Ethiopia. Accordingly, the general purpose of this study is to examine the causes of urban unemployment and the effect of policy interventions. Specifically, we aim at exploring the trends and the socioeconomic causes of unemployment as well as the effect of the TVET program on unemployment and the determinants of employment growth within MSEs in the context of urban Ethiopia.

The remainder of the paper is organized as follows: Section II deals with theoretical discussions on the causes of unemployment while section III describes the data and the estimation techniques. Section IV presents the estimation results and section V concludes.

2. Theoretical Literature on the Causes of Unemployment

Unemployment, as has been in the past, is still among the foremost economic, social and political problems of all economies. A large body of literature suggests that the nature and causes of unemployment are complex and dynamic, and vary across economies. Therefore, the leading step to effectively address the problem of unemployment requires a better understanding of its nature and a thorough study of its causes. According to Mankiw (2001), the main rationale for studying unemployment is to

identify its causes, and thereby to help improve public policies in favor of the unemployed.

The cause of unemployment is among the hottest debated issues. There are various theoretical perspectives in terms of which the causes of unemployment can be discussed. The Classical versus Keynesian perspective is one aspect of the debate on the causes of unemployment. Classical economists posit that unemployment occurs when wages are too high. Advocates of classical economics argue that the rigidities in the labor market, which are mainly explained by taxes, minimum wage laws and the power of labor unions, are the main reasons behind unemployment. From a classical point of view, labor-market recommendations tend to focus on getting rid of regulations and social programs that are seen as obstructing the smooth function of the market. For the Keynesian economists, on the other hand, unemployment arises primarily due to insufficient aggregate demand in the economy which leads to accumulation of unplanned inventories so that firms cut employment and workers added to unemployment pool. The Keynesians' suggestion for fixing the problem of unemployment during recession is increasing government spending to stimulate aggregate demand in an economy, and not just making labor markets work more smoothly. Unemployment incidence from the classical perspective is, however, less likely to be situated in most sub-Saharan African economies, where a large proportion of the labor force is working in the informal sectors. Apparently, the main problem in these countries is the inadequate capacity of the economy to sustain the constant labor supply growth rather than the inflexibility of wages and prices.

The supply-demand analysis is the common way of studying the demographic, social and economic factors affecting unemployment at both micro and macro levels. Factors that increase the supply of labor are associated with the increase in population and the labor market conditions that can either positively or negatively affect the labor market participation decisions of the working-age population. The demand for labor is determined by the performance of an economy and the choice of production techniques, which in turn are shaped by the existing economic policies (Bakare 2011; ECA 2010; EEA 2007; Adebayo 1999).

In Africa, high population growth, rapid rural-urban migration, gender, age and skill and knowledge gaps are important supply side determinants of urban unemployment (ECA 2010; EEA 2007; Okojie 2003). Population growth can be an opportunity because it is a source of potential labor and entrepreneurs. On the other hand, it can be a threat for an economy with saturated labor market that is unable to provide decent employment opportunities for already employed labor and for new entrants. According to the classical economics view, an increase in labor supply will tend to raise employment although it dampens productivity increases. The higher labor supply will lead to lower average wages and consequently to an increase in demand for labor (Kapsos 2005; Walterskirchen 1999).

Empirically Kapsos (2005) finds that a percentage point increase in the annual growth rate of the working-age population is associated with an increase in the employment elasticity by 0.24. However, the situation is different in Africa, where the demographic transition is lowest and the population growth rate is about 2.4 per cent. Over the past two decades, the average growth of the labor force was 3 per cent, rising from 231 million in 1990 to 403 million in 2009. Consequently, the excessive supply of labor has continued to outstrip the labor demand (ECA 2010). In Ethiopia, between 1994 and 2005, the labor force increased by 21.3 per cent while the employment increased by 18.7 per cent, implying about 2.6 per cent new jobless workers were added to the unemployment pool during the period (EEA 2007).

A key supply factor leading to urban unemployment is the high degree of geographical mobility of people in the form of rapid rural-urban migration. According to the famous classical analyst Todaro (1969), so long as rural-urban wage differential attracts rural people, urban unemployment cannot be reduced regardless of creating more jobs. The implication is that apart from creating employment in urban areas, making rural areas more attractive is also equally important. In the same way, arguing for Harris-Todaro's model, Bencivenga and Smith (1995) document that labor migrates to wherever its expected income is highest and hence in equilibrium expected incomes must be equated between rural and urban employment. Since urban wages are invariably much higher than rural wage rates, the equilibration occurs through the existence of unemployed or underemployed urban labor. This is due to an institutionally fixed urban real wages, mainly attributable to minimum wage legislation and the power of labor unions.

As Solow (1980) puts it, the labor market is segmented in that not everyone in it is in competition with everyone else, among others, due to the obvious differences in abilities, experience and skills. According to Fasih (2008), education and relevant skills remain the main determinants of good labor market outcomes as education plays a central role in preparing individuals to enter the labor market by equipping them with the skills needed to engage in lifelong learning experience. The conventional theoretical argument for education suggests that higher educational attainment leads to better employment outcomes, such as higher wages and lower unemployment. In the developed countries, the differential chances of unemployment for qualified and unqualified young people have been increasing. In a number of developing countries, however, many highly educated young people remain unemployed. This problem arises from two key factors: an inappropriate matching of university degrees with demand occupations and the insufficient demand for skilled higher-wage labor in the formal economy. As most new job growth is in the informal sector of the economy, there remain few opportunities for young graduates to find work that corresponds to their level of educational attainment (UN 2003). Empirical evidences in Africa also indicate that the desirable effect of

education on unemployment is not always evident, particularly for youth. For instance, Guarcello et al. (2008) analyze the effect of education on school-to-work transitions for 13 Sub-Saharan Africa countries. They find that higher educational attainment has not led to a lower rate of unemployment. Youth with secondary and tertiary education, particularly in Burundi, Cameroon, Ivory Coast, Kenya, and Madagascar, have higher rates of unemployment than youth with lower educational attainment.

Training programs are on the supply side of the labor market aimed at providing job seekers with marketable skills that potentially increase their employability as well as their earning capacity. Although the impacts do vary across age, gender and region, the net impacts in Latin America and the Caribbean proved that the employment and earnings prospects of participants have been improved. Particularly, the employment impacts are more significant for women and the youngest (Sanchez Puerta 2010). Betcherman et al. (2007) assessed 49 evaluations of training programs primarily aimed at the unemployed, of which 10 are from transition countries and 4 are from developing countries. In the case of transition countries, almost all programs had positive employment impacts. On the other hand, of the four developing countries evaluations, only one showed any gains in terms of employment or earnings.

Labor market outcomes also vary among individuals pertaining to demographic factors. Almost in all countries, both in developed and underdeveloped, the probability of unemployment is strongly dependent on age cohort of the labor force. Typically, low rates of unemployment for prime-age workers coexist with high rates for young cohorts. Gender is another important demographic factor that determines individuals' position in the labor market. In many economies, notably in the developing world, females tend to be far more vulnerable than males (UN 2003). The situation is similar in Ethiopia too (MoLSA 2009; Tegegn 2011).

The incidence of unemployment can also be described by three hypotheses: the skill mismatch, the queuing, and the slow job creation hypotheses. The skills mismatch hypothesis maintains that a mismatch between what the education system teaches and what the labor market requires produces educated youth who have few marketable job skills but who nonetheless aspire to 'good' jobs (jobs that are secure, well-paid, and offer higher social status) and who spend a fair amount of time looking for such jobs. The queuing hypothesis argues that the unemployed wait for an opportunity to take up good jobs in the public sector and in the formal private sector. The public sector is often characterized by job security, generous fringe benefits, low work effort, and high social status. It is thus blamed for creating unemployment by encouraging job aspirants to queue for these jobs. The slow job creation hypothesis, also called the institutional hypothesis, argues that labor market institutions raise the costs of formal job creation. In particular, highly restrictive employment protection legislation and high wages resulting from strong bargaining power of

workers under conditions of virtually complete job security raise labor costs and impede job creation. As a result, the job creation rate of the formal private sector is depressed and the majority of workers are forced to opt to the unprotected informal employment (Gunatilaka and Vodopivec 2010).

3. Data and Model Specification

This study uses both primary and secondary data. The primary data were collected at the end of 2011 from three large cities in Ethiopia, namely, Addis Ababa, Bahir Dar and Hawassa. Purposive sampling method was used to select the three study urban areas followed by two-stage random sampling after stratification of villages into industrial, business and residential zones to pick out villages and then respondents. We employed this method for cost reasons by taking into account some features of urban centers such as the geographical location, the number of TVET institutions and size of TVET graduates, the rate of unemployment and the concentration of MSEs. We made use of the list of MSEs obtained at each selected woreda to pull out 445 MSEs. We carried out registration of all economically active population in selected kebeles to produce a source list to select 581 persons as there is no readily available list. We then hired and trained interviewers to collect information from the sampled persons and MSEs using different forms of structured questionnaires. The secondary data were taken from Urban Employment Unemployment Surveys (2003, 2004, 2006, 2010, and 2011) and National Labor Force Surveys (1999 and 2005) conducted by the Central Statistical Agency (CSA) of Ethiopia. In addition, some important macroeconomic variables, which are not available in these surveys, were taken from the World Bank database.

We employed different econometric models to examine the trend and causes of urban unemployment, and the effect of policy interventions. We constructed pooled cross-sectional data from the secondary datasets by allowing the intercept to differ across periods to reflect the fact that the population may have different distributions in different time periods (Wooldridge 2000).

Pooled cross-sectional data has some advantages over cross-sectional data. Pooling can lead to larger sample sizes. This leads to more precise estimators and test statistics with more power. However, this is true only if the relationship between the dependent variable and at least some of the explanatory variables remain constant over time (Wooldridge 2000). If the explanatory variables are changing over time, it can also provide additional variation in explanatory variables with which to estimate its effect on dependent variable. Hence, a further benefit of these data is that we can explore changes in the coefficients over time.

We used pooled probit model to examine the effects of education and training and to determine trends of unemployment. The pooled probit model below represents unemployment status where Y_{it}^* denotes the

dependent variable, dummy for probability of unemployment: $Y_{it}^* = 1$ if the worker comes from year t is unemployed and $Y_{it}^* = 0$ otherwise. We are interested in the probability that the labor is unemployed, $p(Y_{it}^* = 1 / X_{it})$ where X_{it} is used to denote the full set of explanatory variables that come from year t , and U_{it} denotes the error term. The general pooled probit regression model for the probability of being unemployed, using k regressor variables can be described as:

$$\left[\begin{aligned} Y_{it}^* = & \beta_0 + \beta_1 \text{sex} + \beta_2 \text{age} + \beta_3 \text{mar}_1 + \dots + \beta_7 \text{mar}_5 + \beta_8 \text{exp_er} + \\ & \beta_9 \text{educ}_8 + \dots + \beta_6 \text{educ}_{12} + \beta_7 \text{TVET} + \dots + \phi_0 y_{04} + \dots + \\ & \phi_2 y_{11} + \phi_3 y_{04} \bullet \text{educ}_8 + \phi_4 y_{06} \bullet \text{educ}_8 + \dots + \phi_5 y_{11} \bullet \text{educ}_8 + \\ & \beta_{10} \text{tigry} + \dots + \beta_{15} \text{somali} + \varepsilon_{it} \end{aligned} \right] \quad (3.4)$$

In the above equation, the variable y_{11} is a dummy variable equal to one if the observation comes from 2011 and zero if it comes from any other year. The base year is 2003. To show the trend of unemployment, we analyze whether or not the coefficients on the year dummy variables show a significant change in unemployment in 2011.

The intercept for 2003 is β_0 , and the intercept for 2011 is $\beta_0 + \phi_2$. Whereas β_9 is the discrete effect of upper primary education in 2003 while $\beta_9 + \phi_5$ is the discrete effect of upper primary education (educ_8) on probability of unemployment in 2011. Therefore, ϕ_3, ϕ_4 , and ϕ_5 measure how the probability of unemployment to another year of education has changed over one, three and eight year period, respectively.

The pooled cross-section data analysis is also used for cox-regression. This regression employs proportional hazard models. The hazard rate for failure at time t is defined as:

$$H(t) = \frac{\text{Pr obablity of failing between times } t \text{ and } t + \Delta t}{(\Delta t) (\text{probability of failling after time } t)}$$

We model this hazard as a function of the baseline hazard $H_0(t)$ at time t and the effect of one or more explanatory or X variables. Baseline hazard means the hazard for an observation while all X variables are equal to zero.

$$\ln[H(t)] = \ln[H_0(t)] + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \dots + \beta_k X_k \dots (2.3)$$

Duration of unemployment (duration of weeks elapsed) before an individual gets employed or study ended is a time variable. Failure refers to a situation where a person is employed before the end of the survey period while censored is when he/she remains unemployed during the survey period.

A log likelihood chi-square test indicates that the overall model is significant at 1 per cent. We have used the link test whether or not the

model is correctly specified. The link test result is found to be not statistically significant. To handle, the problems of heteroskedasticity, we estimated robust standard errors. We also used logarithmic transformation of variables with the problem of strong collinearity such as age. However, variables generated through squaring other variables such as age and work experience cannot be freed from multicollinearity problem. So we removed two variables experience squared and age squared from our model. The specification of study variables included in the regression analysis is summarized in a table in the annex (table 3.1).

4. Discussion and Results

4.1. Demographic Characteristics of Respondents

The total sample size of respondents from secondary data for the five years is about 142,547 and fairly distributed across time. About 18.9, 16.8, 18, 23, and 23 per cent of the respondents are from 2003, 2004, 2006, 2010, and 2011, respectively. Demographic composition is also reasonable. For instance, the proportion of female is estimated at about 48.6 per cent, and age wise, adult women and men account for nearly 28 and 21 per cent, respectively, while youth females and males are about 24 and 27 per cent, respectively. The literacy rate of the urban labor force has increased from 76 per cent in 2003 to 80 per cent in 2011, and relatively, females are less likely literate than males. Youth literacy rate is relatively higher than adults', but improving over time for both categories. Almost 49 per cent of respondents are found to be married. Regarding the primary data, the sex wise distribution is fifty-fifty. Adults account for 45 per cent, the share of youth female is 30 per cent, which makes the largest size of the sample, while the smallest 20 per cent of total sample comes from women. The literacy rate of the males is 97 per cent and that of females is about 89 per cent. Almost half of the respondents, about 47 and 55 per cent of females and males, respectively, have received training. Over 48 per cent of the respondents are married.

4.2. The Nature of Urban Unemployment

Growth of labor force is an engine for economic growth when the labor is gainfully employed; otherwise it contributes more to social unrest as many working-age people remain unemployed, or underemployed. The trend of overall participation rate was decreasing between 2003 and 2006; but thereafter, it has been slightly increasing. The quality of urban labor supply has been increasing although the rate of its growth is not attractive. By 2003, 87 and 62 per cent of the urban labor force participants had at least five and over eight years of schooling, respectively. These figures have risen to 90 and 65 per cent in 2011.

Urban employment increased from 74 to 82 per cent over the last eight years; however, the rate of growth is slow relative to the high unemployment rate. The employment rate of female workers and young

workers increased by 9 and 12 percentage points, respectively, while that of adult males grew by only 3 per cent over the period. However, the employment rates of females and the youth are still significantly less than that of adult males, signifying their disadvantaged position in the labor market. On the other hand, evidences from our primary survey are inconsistent with the findings from CSA urban employment unemployment surveys. According to the primary data, both women and youth female employment rates are significantly higher than their counterparts. The employment rate of women and youth females are 84.87 and 76.7 per cent, respectively, while that of men and youth males are 50.7 and 34 per cent, respectively. However, this should be considered carefully as it shows nothing about the type and quality of employment.

4.3. Urban Unemployment Trends

Ethiopia's urban unemployment rate is significantly higher than national unemployment rate between 1999 and 2005. These considerable rates of unemployment differential maintained for youth, females and adults as well over the period. The rate trended downward for all categories of labor force since 2003, but remained at high level. The composite unemployment rate reached a peak of nearly 26 per cent in 2003, but decreased to its lowest level of 17 per cent in 2006. This might be attributed to a decrease in overall labor force participation rate in the period. Despite the sound economic growth, the urban unemployment rate is still higher and stood around 18 per cent in 2011.

The youth and female unemployment rates in urban Ethiopia are considerably higher than the adult male unemployment rate and well above the total urban unemployment in each period from 2003 to 2011. For example, youth and female are threefold more likely to be unemployed than adult male between 2003 and 2011. The age and sex disparity in unemployment is maintained across all cohorts in urban job markets of Ethiopia. However, the situation is the worst for young female labor force participants.

As far as regional unemployment differences are concerned, the two city administrations, Dire Dawa and Addis Ababa, are hit hard by extremely unpleasant rate of unemployment over the survey period. The unemployment rates observed in these cities are significantly above the national average and all other regions. Gambella region is relatively lucky for having the lowest relative unemployment rate in all periods. The trend and unemployment disparity observed in terms of gender and age in the regions is similar to the national one.

4.4. Socioeconomic Causes of Unemployment

Currently Ethiopia is one of the fast growing non-oil economies in Africa. However, the sound economic performance for a decade has not resulted in equivalent employment creation. According to World Bank figures in 1999, annual real GDP growth was estimated at 5 per cent and the urban

unemployment rate at 21.8 per cent. The rate of annual growth is negative: 2 per cent in 2003 while the urban unemployment rate is 26.3 per cent. Although the real GDP growth has significantly improved since 2004, unemployment has remained high. The average real growth is estimated to be around 10.56 per cent, double digit, for the period between 2004 and 2011 while the average unemployment rate for the period is 20 per cent. This downward rigidity of unemployment regardless of promising improvement in real economic growth raises concerns that sustained economic growth is less likely to result in a corresponding employment opportunity. Likewise, the study of Aktar and Ozturk (2009) indicates that improvement in economic growth has not resulted in unemployment reduction in Turkey.

A rapidly growing urban labor force arising from rural-urban migration is a cause of high urban unemployment in Ethiopia. Annual growth of the urban population is at least 1 percentage point higher than the rural population rate of growth for each year between 1999 and 2011. The significant population growth differential between the urbanized and rural areas is primarily attributed to high net rural-urban migration rather than to higher net birth rate in urban areas since CSA figures indicate that rural-urban migration is the second dominant form of migration between 1984 and 1999. Rural urban migration is often explained in terms of push-pull factors. The push factors comprise the pressure resulting from labor to land ratio in the rural areas and the existence of serious unemployment arising from the seasonal cycle of climate. Arable land (hectare per person) marginally increased from its lowest level 0.15 to 0.17 between 2003 and 2010. On the other hand, agricultural value added is highly fluctuating from 1999 to 2011. The average growth rate was 2.72 for the period. For example, agricultural value added is highly fluctuating from its lowest level of 10.5 per cent in 2003 to 16.9 in 2004 and decreasing successively for the remaining periods, and stood at 5.2 per cent in 2011. The undesirably fluctuating growth rate of agricultural value added may lead to high rural-urban migration. The situation can be further exacerbated by poor infrastructure facilities in rural areas relative to urban centers. The rural labor force moves to urban areas with the likelihood of searching for lucrative employment in the industries. The industry value added annual growth is more stable than that of agriculture and increased from 6.4 per cent in 2003 to 11 per cent in 2011 and the average annual growth rate for the period was 9.6 per cent.

The high population growth results in excess of labor force growth over employment-to-population growth for the period between 2003 and 2011. The national average labor force participation rate is 84 per cent for the period under consideration whereas the average employment-to-population ratio figure is 72 per cent, which is almost 12 percentage points lower than the participation rate. For all the periods identified, the labor force participation rate exceeds employment-to-population ratio. The implication

is that the high population growth rate leads to rapid growth rate of labor force participation, which far exceeds the supply of jobs.

The industrial and service sectors are not vibrant enough to absorb unemployed and surplus labor migrating from the agricultural sector. The agricultural sector employment share decreased by 10 percentage points between 1994 and 2005 while the service and industrial sector employment share increased by 5.4 and 4.3 per cent, respectively, in the decade. The net growth of employment over the decade is almost zero while the labor force participation rate increased by 3.2 percentage points. It seems that the problem is long and structural. According to Frank (1968), aggregate non-agricultural employment rates of growth are negative, and high growth rates of urban labor force in Africa have not been matched by correspondingly high rates of growth of urban labor demand by the modern large-scale establishments.

The school curricula are not effective in providing of employable skills. Unemployment is found to increase along educational ladder at least up to college education relative to primary education. Apparently, general school graduates do not acquire the skills needed by employers for a formal employment. Moreover, low human-capital that is characterized by low literacy rate over the past two decades and low educational attainment leave the labor force, especially young people, ill-equipped for the work place and entrepreneurship. The literacy rate of both youth and adult has remained low for a decade. The literacy rate for adults was 27 per cent in 1994 and stood at 39 per cent in 2007 while the average literacy rate for women was 22 per cent in the same period. Even if the literate youth population is higher than adults, it is as low as 55 per cent for the specified span of time, and the gender disparity is maintained. Tertiary school enrollment increased significantly from its lowest level of 0.6 per cent in 1994 to 7.6 per cent in 2011. Vocational education and training participation of females increased from 27.3 per cent in 1994 to 45.6 per cent in 2011; this signals the commitment of the government to increase entrepreneurship. However, much is left in both the quantity and quality of TVET to achieve the desired result.

Foreign direct investment (FDI) affects the economy not only in terms of technological externality, information and management experience. It also is an effective way to increase employment (Song 2003). Moderate flow of foreign capital relative to other countries and its extent of employment generation for the local labor can be considered as a cause of high unemployment. In 1988, Ethiopia attracted US\$ 261 million FDI while in the same period, as Song (2003) observes, China's annual FDI attraction was about US\$ 45.5 billion. Since 1992, China has become the largest recipient of FDI next to USA. Ethiopia's FDI inflow increased to US\$ 627 million in 2011, after two decades. However, other evidences indicate that FDI attraction may not contribute remarkably to the reduction of the serious structural unemployment that some regions faced due to the fall in

traditional manufacturing (Driffeld and Taylor 2000). They argue that the flow of foreign capital generates employment for already employed skilled workers elsewhere rather than for the structurally unemployed. Unemployed workers can substitute workers who have moved to the modern sector if they are equipped with the required skills. Ethiopia's FDI inflow is not only low relative to China, but its employment contribution is too slow relative to the high urban unemployment rate. We strongly argue that FDI produces job opportunities for already skilled workers rather than for the unemployed people.

Other studies show that FDI in agriculture results in employment generation. Chaudhuri and Banerjee (2010) theoretically prove the importance of drawing FDI in agriculture in the developing economies. They argue that FDI in agriculture in these economies can curb the unemployment problem of skilled and unskilled labor. Contrary to their evidence, Aktar and Ozturk (2009) empirically tested that FDI does not have a significant effect on unemployment in Turkey. Similarly, the impact of FDI on job opportunities is not significant in the European Union (Seye 2000). Another argument on the relationship between FDI and unemployment states as follows: "An increase in foreign capital investment leaves social welfare intact and reduces unemployment if foreign capital is specific to foreign firms, and it may increase social welfare and reduce unemployment if foreign capital is also used in the domestic manufacturing sector" (Yabuuchi 2006, 360).

4.5. Theories of Unemployment

Previous literatures have identified three major arguments to explain causes of unemployment. The first one makes a case for "skill mismatch", which is inequality in the supply and demand side of the labor market. When graduates face an extended spell of unemployment and lower wages when they find a job, this suggests the existence of a skill mismatch in the labor market. The second is the "queuing" hypothesis which posited that unemployment is created when the unemployed wait to find better paying and secure jobs either in the public or formal private sector. The third theory of unemployment argues that costly labor laws result in job destruction and slow job creation. That is, employers find restrictive labor laws difficult to expand employment. Employers may prefer employment without written contract between two parties to avoid costs of job dismissal.

We examined the association between years of schooling and spell of unemployment as well as years of schooling and likelihood of unemployment to explore whether skill mismatch is a cause of unemployment. The Cox regression result (see annex table 4.19), after controlling for demographic variables, training received, and location dummies, tends to support the skill mismatch theory, that is skills gained from more education fail to match well quicker the skill demands of the labor market than less education. The implication is that additional years of

schooling results in larger total duration of unemployment in the last six months during the survey period. A similar result is obtained when we replace explanatory variable years of schooling by dummies of educational levels. For example, someone with a Bachelor's degree and above educational qualification has 84 per cent probability to exit out of unemployment, which is about 16 per cent later than the one with lower primary education. Likewise, the exit out of spell of unemployment gets extended and significant with higher educational levels for the rest of educational achievements except for non-formal education.

The result with respect to education variables contradicts the finding of Seife (2006), which argues that college diploma or degree is associated with shorter unemployment duration relative to secondary education. Variation in results may be attributable to data used for estimation, referent group used and variations in the local unemployment levels and spells in the two periods. We argue that reservation wage increased with more education and the ratio of graduates to labor demanded may be significantly increased in recent periods as compared with the ratio we have ten years before. A similar study of the US labor market finds that education remarkably increases the employment success of unemployed workers. For example, graduating from high school increases reemployment probability by around 40 percentage points and an additional year of schooling increases this likelihood by 4.7 percentage points (Riddell and Song 2011). However impact of continued education and training for adult on labor market performance in Germany, Denmark and Britain varies due to institutional differences, which may influence the quality of training supplied (Dieckhoff 2007).

TVET is found to increase the spell of unemployment relative to lower primary education. In line with our finding, Hujer, Thomsen and Zeiss (2006) argue that participation in vocational training programs has an adverse effect on the transition rate into employment in Western Germany. They put forward reasons for the negative effect of participation which seem relevant to the context of Ethiopia. Participants would have obtained a job anyway, but the involvement in the program may increase the spell of unemployment artificially. The training of the participants do not match with the interests of the labor market. Seife (2006) also observes that TVET has no significant effect on rate of employment.

Overall, the training received is associated with finding jobs fast following a spell of unemployment. Subjects with training are 34 per cent more likely to exit earlier from an unemployment spell than those without training. This is in agreement with findings of Hujer, Thomsen and Zeiss (2006); participation in short-term training is effective in shortening the unemployment duration of job seekers in West German. We find variations across age, gender, and time. Age is negatively associated with the probability of unemployment duration and men are 42 per cent more likely to enter into employment than women. More time is required to terminate a

spell of unemployment in latest years except for year 2010. Relative to the base year, the time required for the unemployed to escape the spell of unemployment decreased by 4 per cent in 2010.

We also examined the relationship between unemployment and two closely related variables, years of schooling and education, to test the validity of skill mismatch hypothesis. The result is consistent with the duration model in both cases. An additional year of schooling increases the probability of unemployment and is statistically significant at less than one per cent relative to the reference category of education (lower primary education). Educational qualifications below diploma education, including vocational education, are found to be associated with higher probability of unemployment relative to lower primary education (annex table 4.14). Therefore, in urban Ethiopia, skill mismatch theory holds for diploma or below education levels. Glewwe (1987) and Dicken and Lang (1995) examined the relationship between education and unemployment to test the validity of skill mismatch hypothesis. Glewwe finds support for the skill mismatch hypothesis among both women and men in rural and urban sectors while Dicken and Lang find supportive evidence only for rural women.

The queuing hypothesis can be either shopping around for better paid job and good work environment in the public sector or in the formal private sector. To test the validity of this hypothesis, we examined the association between probability of unemployment and regional share of both public and formal private sector employment in urban Ethiopia. The probit regression result supports the queuing hypothesis. A person in the labor force is more likely to be unemployed when either regional public or formal private sector employment increases by one percentage point. Our result is consistent with Tan and Chandrasiri (2004). They find support for queuing hypothesis by showing that unemployed people are more likely unemployed as they shop around for a better job when share of public sector or formal private employment opportunities increase.

We analyzed the validity of slow job creation hypothesis to determine whether or not job destruction is a cause of unemployment in urban Ethiopia (annex table 4.20). To this end, first we examined the relationship between shares of either formal or informal private sector job to probability of unemployment. Second, we look at the association between unemployment and the share of private sector job that has either written or verbal employment agreement between employer and employee. However, due to data limitation, we cannot argue for or against whether or not job destruction is a cause of unemployment.

4.6. Effects of Education and Training Policy on Labor Market Outcomes

This section of the study focuses on econometric evidences on the effect of policy interventions, particularly through the expansion of education and

training on labor market outcomes. We give more emphasis to answer mainly the question ‘how does education affect the likelihood of labor market outcomes, especially urban unemployment?’ and later the question is extended to training. The analysis of probability of unemployment uses two alternative measures of unemployment defined by the CSA’s urban employment unemployment survey. These are the current activity status approach and usual status approach. The regression results obtained from the two approaches are found fairly similar whether the length of time is last week or the last six months except for the magnitude of coefficients (annex table 4.21). For this reason, we indifferently used the current unemployment status (i.e. the length of time is last week) to interpret the result and explain the differences.

As expected, when the age increases, a person is less likely to be unemployed. This is consistent with earlier studies in which age and unemployment exhibited an inverse relationship. Regarding gender gap, being male is likely to reduce probability of unemployment. The gender gap for usual unemployment status appears to have decreased from 2003-11 by about one percentage point while the gender gap in probability of current unemployment status remained constant even after eight years. It signals the existence of some gender discrimination though it is difficult to single out the contribution of all other factors (such as education gap) to the disparity. The result is in line with that of previous works such as UN (2003), WB (2007), Guarcello, Lyon and Rosati (2008), and Tegegn (2011). Controlling for other factors and considering never married labor market participants as a referent group, the marginal effect indicates for all categories of marital status lower probability of unemployment, statistically significant at one per cent level. The implication is that the married, widowed, separated and divorced are more responsible for the livelihood of the family as bread winners such that they do not want to extend time to shop around for better jobs; rather they would take any available job to discharge their family responsibilities.

More educational qualification is unable to reduce likelihood of unemployment among the urban labor force as compared with the reference education level, grade 1 to 4. Except tertiary education, educational attainments including TVET graduates and drop outs from TVET and tertiary education have no tendency to bring salutary effect on probability of unemployment. Even after eight years of practices, TVET education keeps on increasing likelihood of current unemployment. It contradicts with Arum and Shavit (1995) who provide evidences in favor of possibility of vocational education to decrease risk of unemployment and increase chance of students employment as skilled workers. Across Europe, an academic degree is likely to decrease short term unemployment more effectively than long term unemployment (Núñez and Livanos 2010). However, WB (2007) indicates that general education in urban Ethiopia, especially among the youth population, is associated with higher likelihood of being unemployed. Similarly, the findings of Getinet (2003) and Krishnan,

Gebreselassie and Dercon (1998) confirm that those who completed secondary education are more likely to be unemployed.

One question of interest is, after controlling for other observable factors: what has happened to the likelihood of unemployment over time? The factors we controlled for were demographic variables, different educational qualifications, including tertiary education and TVET, and urban location. Considering 2003 as a base year, the coefficients on the year dummy variables showed a sharp drop in probability of unemployment over time. This suggests that there are drops in the probability of unemployment for reasons that are not captured in the explanatory variables. Since we controlled, for example, different levels of educational qualification, this drop was separate from the decline in occurrence of unemployment that is due to the change in average educational levels.

Urban location is statistically important. Regions with relatively bigger towns are confronting higher probability of unemployment. The probability of unemployment appears to rise proportionately with the level of urban size except for Jijiga and other towns in Somali regional state. The probability of unemployment was found to be highest in Dire Dawa and Addis Ababa followed by Somali regional state. SNNP has been experiencing the least unemployment probability in the last eight years relative to all other regions except the reference region (Benishangul-Gumuz regional state). Therefore, a person who lives in Dire Dawa is about 23.4 per cent more likely to experience unemployment than a worker residing in Benishangul-Gumuz state. We excluded Gambella regional state from this analysis as the region does not have a survey for 2004.

To validate the pooled probit model regression result obtained from urban employment unemployment survey between 2003 and 2011, we made pooled probit regression on different datasets (labor force surveys of 1999 and 2005). The results are the same for most of the variables except for minimal variations due to inclusion and exclusion of a few variables to avoid multicollinearity and specification problems (annex table 4.23). The dependent variable unemployment was measured using the current status approach. Demographic variables such as age, and sex and were likely to decrease the probability of unemployment and statistically significant at 1 per cent significance level for both datasets. Labor market experience is likely to decrease the probability of unemployment.

Regarding educational qualifications represented by different dummy variables for most variables, the results are almost the same. For example, for surveys (urban employment unemployment surveys and labor force surveys), upper primary, secondary education, preparatory education, and technical and vocational education have a positive and significant effect on the probability of unemployment. However, tertiary educational qualification is likely to decrease the probability of unemployment. As far as regional unemployment distributions are concerned, the same result is obtained for all regional dummies. Relative to the reference region, all

regions have a higher probability of unemployment. The probability of being unemployed is highest for Dire Dawa, followed by Addis Ababa in both surveys. Migrants with a minimum of half year to ten and above are less likely to be unemployed than non-migrants (annex table 4.23). This might be attributable to lower wages of rural areas from where the migrants moved to urban areas for better earning opportunities so that their reservation wages are low relative to the non-migrants. Moreover, migrants may have no option other than their labor income for their subsistence, so that they are less likely to shop around for a better job than non-migrants. The result is consistent with the findings of Tegegn (2011) and Birhanu, Abraham and van der Deijl (2005).

The result from the primary survey using logistic regression is not consistent with the result from secondary survey. This might be attributed to the variation in spatial coverage of surveys, sample size, explanatory variables controlled, survey period and other potential reasons. The paradox is females are less likely to be unemployed than males (annex table 4.17). The association between education and probability of unemployment is varied to some extent. Upper primary, secondary and preparatory schooling do not have any effect on probability of unemployment relative to lower primary education. TVET, diploma and degree and above graduates are less likely to be unemployed as compared with lower primary education. Alternatively, after considering years of schooling as an explanatory variable, we found that more years of education decreases likelihood of unemployment. Access to any form of credit (formal and informal) has also a negative effect on probability of unemployment. However, over 76 per cent of respondents borrowed money from formal financial institutions in three cities. It suggests increasing access to formal financial institutions as sustainability of informal sources is uncertain and using these sources are relatively costly.

As a strategy the government has given emphasis to technical and vocational education to enhance employment and employability of youth. Surprisingly, TVET graduates are more likely to be unemployed in 2011 relative to 2003. That is, an additional year of TVET education has a positive effect on probability of unemployment after eight years. However, grade 10 graduates' probability of entering into unemployment is decreasing over time (annex table 4.14). However, people who received any training are less likely to be unemployed than those without training. So any training received and completing grade ten education are preparing people to meet the skill demands of the labor market more than lengthy and relatively specialized TVET trainings. This suggests that even if the employment effect of TVET is inconsistent, it does not have a desirable effect on labor market outcomes after more than eight years of implementation experience. Hence it calls for reconsidering the implementation and the curriculum of technical and vocational education in line with the demand of industry.

The entrepreneurial effect of education and training in general and TVET in particular is not attractive. The regression result suggests that self-employment of the workforce is likely to decrease significantly with access to training and better education. For example, degree and above graduates as well as TVET graduates are less likely to be self-employed than workers with lower primary educational qualification. One additional year of schooling decreases the probability of self-employment by 1.7 per cent (annex table 4.15). However, both a completed grade ten education and a technical and vocational education have a salutary effect on self-employment after eight years. As indicated in work experiences, upper primary education, technical and vocational training, any training received, access to any form of credit received and university education are associated with shorter school-to-work transition period (annex table 4.16). The implication is that TVET, university level education and access to start up capital are important policy variables to reduce high unemployment rate and extended duration of unemployment in urban areas of Ethiopia.

4.7. Assessment of Strategies to Promote Employment in Ethiopia

Vocational education and training and expansion of micro and small enterprises are commonly used as a remedy to keep youth out of streets and unemployment. Accordingly, training in Ethiopia are mainly provided to increase employability and encourage self-employment of dropouts and graduates. Important reform measures have been introduced after the adoption of the National TVET Strategy of 2002 and the TVET Proclamation of 2004. However, existing evidences assure that share of self-employment by TVET graduates is lower relative to secondary school graduates, and employment growth within MSEs is slow. In the next section, we evaluate the implementation and effectiveness of some important strategies to increase employment in Ethiopia. Our focus will be on the role of technical and vocational education and training (TVET) and micro and small-scale enterprises (MSEs) in enhancing employment.

Strategies to increase employment through effective implementation of TVET need to begin from participatory curriculum development to linking graduates to the labor market. To evaluate the implementation and effectiveness of TVET in Ethiopia, we adapted good training practices for disadvantaged youth identified in Brewer (2004). This allows us to identify the bottlenecks to job creation potentials of the program and its implementation and to assess outcomes of the program in relation to the 2008 National TVET strategy document. We collected relevant data to undertake this assessment from different TVET stakeholders by taking into account fair composition of respondents. For example, over 26 per cent of the respondents are either teaching in the government technical and vocational colleges or working as directors, experts and practitioners. Share of teaching staff in private colleges is 10.8 per cent. The proportion of employers, who are the major beneficiaries from the TVET program, is nearly 18 per cent. Parents of students and students who attended at least

one year course in TVET institutes and graduates constitute nearly 44 per cent of the respondents.

The good training practices relevant to the current TVET environment of Ethiopia against which TVET implementation is evaluated comprises innovativeness, feasibility, responsiveness, relevance, flexibility, upscale and coordination.

Innovativeness refers to the unique quality of the TVET program which addresses the drawbacks in other training practices in enabling the disadvantaged youth and appeals to the interest of all respondents. The Likert scale inquiry finds that nearly three-fourth of respondents agree that the training program is innovative. They believe that the program addresses training gaps of youth and women who are disadvantaged in other training programs and prepares these groups for good job relative to other trainings. Moreover, the result is in line with the 2008 National TVET strategy. The TVET strategy is gender sensitive in terms of equity and makes every effort for social inclusion, equal access and opportunity by increasing the access regardless of level of educational attainment, gender, location, ethnic and religious affiliation. Although the achievement is salutary, it does not mean further improvement is not required.

Feasibility of the training measures ‘the program can realistically be implemented; there is sufficient support and funding capacity’. On average, close to 59 per cent of the respondents are uncertain and disagree and thus they question the feasibility of the TVET program. Over 69 per cent argue for the existence of insufficient support and budget while about 67 per cent claim lack of qualified staff and inadequate laboratory equipments. Poor access to credit for business startups by TVET graduates is reported by 67 per cent of the respondents. Only 35 per cent agree that the program employs expatriates to fill shortage of experienced teachers and to ease the technology transfer. However, the strategy document identified a set of alternatives. For instance, recruiting foreign staff to reduce competence gaps among domestic instructors and trainers, collaborative TVET schemes to decrease cost of training and increasing income sources of TVET institutes such as through the sale of products produced by trainees.

Responsiveness refers to whether or not the practice of the program is consistent with the needs identified by young women and men; it has involved a consensus-building approach; and it is responsive to the interests of the participants and others. The TVET strategy expects the institutes to replicate and transfer selected technologies to industries and MSEs, and to enhance entrepreneurial skill development. About 60 per cent of the respondents think that the program is responsive in terms of enhancing entrepreneurship, increasing MSE productivity, and giving more attention to females. Apparently, the opinion of the respondents is in favor of the expectation of the TVET strategy while suggesting the need to invest more in these institutes so as to increase their responsiveness to participants.

Relevance of the program refers to the contribution of the program, either directly or indirectly, to demands of the market and the needs of the participants. About 57 per cent believe that vocational training provides skills required by the labor market, and 50 per cent argue that the program facilitates school to work transition. On the other hand, the progress of the program in terms of enhancing competencies of trainees is found to be weak. Moreover over, 50 per cent of respondents agree that TVET is less likely to equip trainees with skills required by local and international markets.

Flexibility of the program evaluates the capacity of the program to provide training programs that meet the changing labor market and international economic environment. About 57 per cent of the respondents do not agree that TVET institutions are flexible enough and capable to make timely adjustment of training programs to meet the changing skill demands of the labor markets. It seems that the program is less likely to meet the 2008 national TVET strategy that advocates flexibility to respond to the changing occupational requirements.

Efficiency and Effectiveness refers to utilization of human and non-human resources in a way that maximizes the desired impact. The results indicate that training programs are cost efficient. Almost 65 per cent of respondents do agree that the TVET program is effective in reducing duration of unemployment and job search time. About half of the respondents, consider that the TVET program is achieving the desired results at the least cost. The remaining 50 per cent of the respondents did not believe that the program is efficient, implying that the program is still required to exert more efforts to improve its cost effectiveness.

Upscalability of the program evaluates whether or not the practice of the training can be expanded to operate on a wider level (e.g. from community level to national level). The respondents' opinion suggests that the practices are not significantly expanded in different areas and circumstances.

Coordination, Cooperation and Commitment among respondents is vital for effective implementation of the TVET program (Brewer 2004). Participation of respondents in the TVET program from the inception to the implementation stage is crucial for a successful outcome, but the majority of the respondents argue that involvement of all participants is lacking. Linking vocational trainings to the industries is important to ease school to work transition of the youth. Nevertheless, the achievement in TVET-Industry partnership is not much attractive and needs further effort to link training programs with industries. Although the private sector is among the dominant employers of graduates, its participation in curriculum development and training provision is found to be weak. It seems that the actual implementation of the program does not meet what is stipulated in the 2008 national TVET strategy.

4.8. Employment Growth within Micro and Small-Scale Enterprises

The government of Ethiopia has been providing various support to the development of MSEs to enhance their employment creation capacity. For example, short-term trainings and credit supply to operators of MSEs, assigning appropriate organs and experts to support and oversee the activities of MSEs, and other business development services. Despite all these efforts, the employment growth rate of the sector is unsatisfactory. To point out the challenges, this section explains the characteristics of MSEs, the factors that determine employment growth within MSEs, and the opportunities and constraints of the sector.

Among the surveyed sample MSEs from the three cities, the average number of male and female operators are nearly four and three, respectively, per an enterprise. The majority of the business operators, about 84 per cent, are non-teenagers. Almost 88 per cent of them are literate. About 69.6 per cent of them attended either primary or secondary school. Operators of MSEs with educational qualification beyond secondary education, but below first degree, are about 9.9 per cent while those with first degree and above education are only 1.6 per cent.

Regarding the training status of operators, about 55 per cent of them have taken some sort of training. At an enterprise level, on average, there are at least four persons who received training. However, out of those who received training only a few of them took long-term training provided by colleges or universities. For example, only 15 per cent of owners of MSEs are diploma holders who graduated from TVET colleges. Out of 55 per cent of operators that have attained some sort of training, including short-term training, almost 89.6 per cent of them are found using the training they received to run their current businesses. They are engaged in businesses related to their field of training. This might be because most of the trainings received are short-term trainings provided by experts working for MSE development and these trainings are compulsory to license enterprises for business startups. On the other hand, many of those with long-term training are involved in businesses other than their field of study. For instance, out of fourteen operators with agriculture-related professional science training (bachelor degree), only one person is found engaged in urban agriculture activity. Out of forty persons with health-related training at degree level, nobody is found involved in business related to his/her study. The implication is that the ongoing long-term training programs are less likely to contribute to entrepreneurship relative to short-term trainings. Above all, it suggests the mismanagement of scarce public resources and the weak linkages and coordination between training institutions and industry. Indeed, this reminds all concerned bodies to further evaluate the ongoing efforts and to take appropriate measures.

The major activities undertaken by enterprises in the survey area are classified into five categories. Manufacturing-related enterprises constitute 33 per cent while trade and service-related enterprises constitute 13 and 27

per cent, respectively. Enterprises related to urban agriculture and construction comprise 11 and 15 per cent, respectively, of the sample MSEs.

MSEs have been a dominant source of employment and income in many countries of the third world and even in the USA (Mead and Liedholm 1998). According to the CSA survey in 2006, almost 76 per cent of the work force had been employed in micro and small scale enterprises. The employment share of MSEs increased to 83 per cent in 2010. The primary data survey from the three cities indicate that out of the total of 4,554 people employed in the MSEs in 2011, about 29.6 and 27 per cent of them were working in manufacturing and construction related MSEs, respectively. The employment share of service and urban agriculture related MSEs accounted for 21 and 12.6 per cent of the total employment, in that order, while the relative employment contribution of trade is the lowest.

Growth of employment is measured using the formula proposed by Evans (1987) calculated as the ratio of change in natural logarithm of employment differential between initial and final period divided by age of a firm. The initial period refers to year of establishment and the final period is the survey period, October 2011. The employment growth rate is positive for 29 per cent of the sample MSEs while it is zero for 50 per cent and negative for the remaining 21 per cent of them since establishment. The highest positive growth rate (4.5 per cent) is observed in manufacturing enterprises followed by trade-related enterprises (2.4 per cent).

Logistic regression analysis is employed to identify factors that determine urban employment growth within MSEs. The dependent variable is the average annual growth rate of employment, which equals one if the rate is positive since startup of the firm and zero otherwise. Business interruption, type and ownership of MSE, firm size, location, and motive to start up MSE have an important effect on employment growth. On the other hand, human capital endowment does not have any significant effect on employment growth. Average annual employment growth of firms located in Bahir Dar is 2.68 times higher than that of those located in Addis Ababa. Enterprises with relatively large initial employment size have a lower probability of employment growth (annex table 4.18).

Relative to firms engaged in trade activities, agriculture and manufacturing enterprises have higher probability of employment growth. For example, the odds of employment growth for urban agriculture are 3.9 times higher than trade enterprises. A unit increase in work hours increases an enterprise's odds of employment growth by 1.02 times. New ventures established by cooperatives are more likely to grow faster than those run by single owners. Motivation is found to influence new firm's growth. Self-employment preferred to paid employment as a motivation to starting a business positively affects a firm's growth. However, unemployment and/or training as a motivation to start a business have no significant effect.

Shortage of electricity and water, lack of conducive government regulations, and lack of capital collectively used as proxy for policy shocks lead to 0.51 times lower odds of employment growth. The entrepreneur's human capital acquired is often considered as good to his/her likely success. However, the index of the firm's human capital, which we estimated in terms of the proportion of owners with training and other educational qualifications, has no significant effect on probability of employment growth within MSEs. Paradoxically, social ties (support from families) and access to credit are unexpectedly not important for growth of new ventures.

4.9. Constraints to Expansion of MSEs

Constraints to expand business and then employment by MSEs are determined by different factors. Only 3 per cent have responded that they have no problem to expand their businesses. For more than 54 per cent of the enterprises, lack of market is the major barrier to increase the scale of their business. About 29 and 45 per cent reported that lack of credit supply and startup capital, respectively, are the main challenges to expand their business and hence employment. Own saving, usually a small amount, is the dominant source of startup capital for 69.6 per cent of enterprises. Among the sampled enterprises, only 30 per cent from formal financial institutions and 10 per cent from informal ones have borrowed for their businesses. However, there are microfinance institutions in each woreda that can lend money to new starters and existing ones. The overall results suggest two important issues. First, the local communities may lack awareness and skills on possibilities to finance their business through borrowing. Second, cost of borrowing at the ongoing interest rate may be high.

Over 82 per cent of the enterprises supply their products directly to consumers. About 26 per cent supply their outputs to retailers and whole sellers, manufacturers, and exporters. Shortage and high prices of inputs is an impediment to 46 per cent of enterprises to increase the scale of their production. Almost 80 per cent of the enterprises purchase inputs from traders. A few enterprises buy inputs from multiple suppliers. Therefore, it is important to increase the share of suppliers other than traders to realize approximately competitive price and to overcome production interruption associated with shortage and rise of input prices. The source of input is dominated by domestic industrial products for most producers (52 per cent) followed by agricultural outputs (39 per cent). Over 81 per cent of producers depend on domestic agricultural products, imported inputs and natural resources. Therefore, the supply of inputs is more likely to be affected by weather shocks and deficits. On the other hand, there is an opportunity for strong linkages between agriculture, industry and MSEs. There is also a possibility to decrease seasonal causes of job interruption by intensifying the use of domestic industrial outputs as sources of raw materials.

The average growth of capital nearly 75 cents per enterprise is considerably higher than the average growth of employment per enterprise estimated about 0.04. However, overall growth rate of both capital and employment are not satisfactory and the mean capital growth rate of firms with positive employment growth is not significantly different from firms with negative employment growth rate. Over half of the firms operated for the last 12 months, and 84 per cent operated at least for the last six months. The mean months of operation of firms with desirable employment growth rate are not remarkably different from firms with undesirable rate within 5 per cent significance level. The average interruption is nearly 3 months and it needs strong attention to reduce its adverse impact on employment. Lack of demand or market is the dominant cause of ceasing operation followed by shortage of capital. Shortage and/or rise of price of raw materials and seasonal nature of business are also among the causes forcing firms to halt operation.

Polices may disproportionately affect MSEs. First, polices tend to favor larger and export-oriented businesses. Second, startup and transaction costs for doing business are high due to complex administrative systems and often due to corruption. However, the survey result shows that unfavorable government rules have the least impact on job interruption. Only 2 enterprises in 25 reported that government policies are reasons for job interruption.

Nearly 75 per cent of firms insist on government's support in access to work place. Over 74 per cent of operators responded that market creation and networking is vital for expansion and hence employment. About 58 per cent need supports such as access to business information, advice and account keeping from government bodies. Support in the form of technical training is strongly demanded by 56 per cent of respondents. Likewise, 53 per cent of operators expect the local government to facilitate access to raw materials.

5. Conclusions

Ethiopia's urban unemployment rate is significantly higher than national the rate between 1999 and 2005. These considerable rates of unemployment differential maintained for youth, females and adults as well as over the period. The rate trended downward for all categories of labor force since 2003, but remained at a high level. The composite unemployment rate reach peak of nearly 26 per cent in 2003, but decreased to its lowest level of 17 per cent in 2006. This may be attributable to the decrease in overall labor force participation rate in the period. The rate is still higher and stood around 18 per cent in 2011 regardless of sound economic growth. Regional variation in unemployment is observed. For instance, Addis Ababa and Dire Dawa are hit hard by excessive rate of unemployment over the survey period while Gambella region experiences the lowest rate.

Although Ethiopia's economy experienced remarkable growth for a decade, it does not result in an equivalent employment creation. Rapidly growing urban population arising from rural-urban migration, lack of vibrant non-agricultural sector to absorb the surplus labor migrating from agriculture are contributing factors for the persistent unemployment. Existing evidences prove that skill mismatch and queuing contribute to higher probability of unemployment. The worker with more years of schooling is less likely to end unemployment spell over a short period. In addition, the positive and statistically significant relationship between the share of both public and formal private sector job and the probability of being unemployed is found to strongly support the queuing hypothesis. The problem can be addressed by aligning the education and training policies to the needs of the labor market and also by developing entrepreneurship-oriented curriculum.

Efforts are made to evaluate the implementation of the current TVET strategies using different indicators. The Likert scale results indicate that the TVET program is innovative in that it addresses the limitations of other training programs. On the other hand, the stakeholders' opinion cast doubt on the feasibility of the program. Lack of qualified staff and shortage of budget to supply equipment and furnish laboratories are the major factors behind the problem. Resource scarcity for every economic activity is inevitable but what matters is the way we generate and utilize the resource in the implementation process. Graduates need soft loan for business startup and colleges need money to acquire lab equipment and to employ qualified staff. Government may lack sufficient budget for all these activities. However, the labor of students can finance part of the budget deficit. Similarly, locally available materials, which cost less, can be used to furnish some of the lab instruments. Nearby private and public organizations can be sources of finance for lab equipment as well as teaching staff on part-time basis. Therefore, close collaboration of government, private sector and NGOs is important to alleviate these problems.

The views of the respondents suggest that the program is responsive. However, they remind the need to invest more in TVET institutes so as to increase their responsiveness to participants that are marginalized in other programs. With regard to the overall relevance, more than half of the respondents are uncertain or disagreed with the relevance of the TVET program. This has also been reflected in one way or another in the descriptive and regression analysis of the effect of training on unemployment. Hence, this could be an important message that reminds concerned bodies to give attention and work hard to increase the relevance of the TVET program in order to meet the technical skill demand of the labor market. Thus, the need assessment efforts of the TVET institutions to identify current skill needs of the labor markets, and participating employers and trainees in the need assessment are found to be important areas of focus to minimize the limitation.

Concerning the flexibility of the program, a majority of the respondents did not agree that TVET institutions are flexible and capable to make timely adjustment of training programs to meet the changing skill demands of the labor market. This suggests that TVET institutions must be aware of the low flexibility of their programs and should work toward its improvement. Similarly, the average result regarding the efficiency and effectiveness of the program is almost fifty-fifty. It implies that more effort is needed to improve the situation. Another important area of concern is coordination among relevant respondents. Linking vocational training to the market demand is crucial to ease school to work transition of the youth. However, the evaluation result indicates the disagreement of over 56 per cent of the respondents on this issue, and also the participation of the private sector, which is the dominant employer of the graduates, is found to be weak. We suggest strong public private partnership through facilitation, curriculum development, regulation and evaluation of the system through proclamation, licensing accreditation, and apprenticeship.

Many international facts support the notion that additional education boosts labor market outcomes such as better earning and lower unemployment. However, the effect of education on the labor market outcomes of individuals is not straightforward in Ethiopia. The real employment effect of education at individual level is more pronounced at tertiary level of education. On the other hand, the survey result asserts the desirable effect of general training on unemployment and short-term trainings on business startups. Therefore, we suggest addressing poor employment effects of education through evaluation of implementation practices and curriculum revision. In addition, we recommend introduction of demand-driven nationwide training to the unemployed in general and school dropouts in particular that may be financed by contribution from local community, government and private sector. The government also needs to admit school dropouts and unemployed to short-term training at different levels that focus on development of tradable skills regardless of their educational qualification.

The employment effect of TVET is not attractive and decreasing even after sufficient experiences of implementation. Its contribution to employability is not improving even as compared to secondary school completion. Furthermore, the higher unemployment rate and lower self-employment tendency among TVET graduates is another issue of concern albeit such trainings facilitate school-to-work transition. On the other hand, the 2008 national TVET strategy document identified important limitations and strategies to improve the performance of the sector. Thus, the commitment of bodies in charge for effective implementation of strategies identified is sufficiently enough to enhance the employment effect of TVET. Increasing access to credit at reasonable interest rate is also important for new business startups by graduates and school dropouts at any level for unemployment reduction.

Indeed, it is undeniable that training has desirable effects on the individuals' performance and productivity. Training would make people more successful and more productive if they apply it in their day to day business, otherwise it would depreciate and become obsolete. What is observed from the survey of the three cities is that most of MSE operators received some sort of short-term training which most of them are found to apply to run their current businesses. However, many of those with long-term training tend to engage in businesses other than their field of study. This can be indication of the weak linkages and poor coordination between training institutions and the industry.

The employment contributions of MSEs are significantly larger than employment opportunities created in large-scale enterprises and in the public sector in 2006 while the latter sectors employment contribution exceeds the contribution of small enterprises for periods 2010 and 2011. This suggests that the relative employment contributions of MSEs are declining. The sample survey in the three cities indicates that MSEs involved in manufacturing and construction-related activities constitute the largest share of employment opportunities for the urban labor force, but the growth rates in these sectors are low. The overall result suggests that employment effect of MSEs is insignificant and only one-third of them registered positive employment growth since startup. On the other hand, a number of barriers are identified as impeding the expansion of the scale of production and growth of employment within MSEs. Insufficient market, shortage and high prices of raw materials, lack of capital, lack of working place, and lack of credit are among the major constraints responsible for the poor performance of MSEs in expanding employment. As long as the objective of promoting and supporting the development of MSEs is to make them expand demand for the growing labor force, their success and performance should be evaluated in terms of the employment growth they achieve. In this regard, as the finding suggests, support in terms of market for their products and easy access to supply of raw materials, access to work place and bank loans are required to help them expand their business and increase their demand for labor.

Furthermore, enterprises did not fully utilize their capacity, and thus experienced job interruption in the last 12 months just before the survey. They ceased operation on average for 3 months in the last 12 months. MSE operators report that lack of demand and shortage and/or high prices of inputs are among the major reasons for ceasing operation and hence job interruption. Interestingly, shortage of electricity and water as well as unfavorable government rules and regulations are the least frequently cited reasons. This may witness the ongoing effort of the government in supporting and promoting the development of MSEs through its pro-MSE policies and strategies.

The employment growth within MSEs is found to vary with location, type and ownership of enterprise, initial employment size, and average hours of

work and motive for business startup. In addition, enterprises with relatively large initial employment size have lower probability of annual average employment growth. On the other hand, enterprises with relatively more hours of work have higher likelihood of experiencing employment growth. Encouraging ventures established by cooperative are more important than individual enterprises, and introduction of policies that lead to expansion of manufacturing and urban agricultural enterprises are important. Concerned bodies must be cautious about the employment effects of human capital endowments acquired by MSEs, social ties and access to credit. The government can also devise encouraging mechanisms such as rewarding private firms based on their size of employment and intensive use of labor-intensive technologies. Furthermore, it is possible to consider employment creation of a firm as a criterion for increased access to government credits to private firms.

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Annex

Table 3.1. Specification of variables (both dependent and independent variables)

Variable name	Variable label
Sex	Sex: 1 if male ; 0 if female
Age	Age of respondent in years
Agesq	Age squared
marr1	single: 1 if single; 0 if otherwise
marr2	Married: 1 if married; 0 if otherwise
marr3	Divorced :1 if divorced; 0 if otherwise
marr4	Widow:1 if widow; 0 if otherwise
marr5	Separated: 1 if separated; 0 if otherwise
Exper	Experience : age minus years of schooling minus 6
Expersq	Experience square
Trng	Training: 1 if a respondent received formal training
educ4	Grade 1-4 formal education: 1 if grade 1-4; 0 otherwise
educ8	Grade 5-8 formal education: 1 if grade 5-8; 0 otherwise
educ10	Secondary education; 1 if Grade 9-10 (new) and 11-12 (old)
Educ10c	Grade 10 completed : 1 if grade 10 completed (new curr.) and grade 12 completed (old curr.)
educ12	Preparatory: 1 if grade 11-12 in new curriculum; 0 otherwise
Educnf	Non formal education: 1 if non-formal education; 0 otherwise
educno	Illiterate
Certfet	Certificate ; 1 if had 1 year training after secondary education
TVET	TVET completed: 1 if 10+1, 10+2 and 10+3 completed
TVETnc	TVET not completed: 1 if TVET not completed
Dipc	Diploma, 12 +2, (in old curriculum
Degdipnc	Diploma/degree not completed: 1 if diploma/degree not completed
Degac	Degree and above completed: 1 if degree and above completed
Tigr	Tigray region: 1 if the location of respondent is Tigray region
Afar	Afar region: 1 if the location of respondent is Afar region
Amhra	Amhara region: 1 if the location of respondent is Amhara region
Oromo	Afar region: 1 if the location of respondent is Afar region
Somal	Somali region: 1 if the location of respondent is Somali region
Snnpr	SNNP region: 1 if the location of respondent is SNNP region
Harar	Harari region: 1 if the location of respondent is Harari region
Addis	Addis Ababa City A/min: 1 if the location of respondent is Addis Ababa
Dire	Dire Dawa region City A/min: 1 if the location of respondent is Dire Dawa
y04	If the survey data comes from 2004
y06	If the survey data comes from 2006
y10	If the survey data comes from 2010
y11	Data comes from 2011 survey

Table 3.1. *Contd.*

Variable name	Variable label
informal	Share of regional informal sector employment
Wragre	Share of workers who have written agreement with employer
Oragre	Share of workers who have oral agreement with employer
pubr	Share of regional public sector employment
Prvr	Share of regional private formal sector employment
Ss	Natural logarithm of regional labor supply/labor force
Migr1	Migration : 1 if a respondent is migrated at most a year before and zero if otherwise, or $(0 < \text{migr1} < 1)$
Migr2	Migration : 1 if a respondent is migrated before 2 years and zero if otherwise, or $(1 < \text{migr1} \leq 2)$
Migr3	Migration : 1 if a respondent is migrated before 3 years and zero if otherwise, or $(2 < \text{migr1} \leq 3)$
Migr4	Migration : 1 if a respondent is migrated before 4 years and zero if otherwise, or $(3 < \text{migr1} \leq 4)$
Migr5	Migration : 1 if a respondent is migrated before 5-6 years and zero if otherwise, or $(4 < \text{migr1} \leq 6)$
Migr6	Migration : 1 if a respondent is migrated before 7-9 years and zero if otherwise, or $(6 < \text{migr1} \leq 9)$
Migr7	Migration : 1 if a respondent is migrated before 10 years and above, or $(10 > \text{migr1})$

Table 4.14. Effect of training on likelihood of unemployment

Independent variables	Coefficients	Coefficients
Lage	-0.135***	-0.131***
	(0.00414)	(0.00414)
Sex	-0.156***	-0.154***
	(0.00224)	(0.00224)
marr2	0.00183	0.00588**
	(0.00273)	(0.00274)
marr3	-0.0733***	-0.0696***
	(0.00397)	(0.00403)
marr4	-0.0373***	-0.0338***
	(0.00512)	(0.00519)
marr5	-0.0495***	-0.0454***
	(0.00690)	(0.00702)
Trng	-0.0990***	-0.0911***
	(0.00263)	(0.00290)
TVET		-0.00509
		(0.00560)
educ10c		0.0849***
		(0.00429)
TVETy11		0.0462***
		(0.0108)
educ10cy11		-0.0167**
		(0.00761)
Yrsch	0.00837***	0.00626***
	(0.000282)	(0.000299)
Tigr	0.121***	0.120***
	(0.00826)	(0.00825)
Afar	0.0979***	0.0984***
	(0.00927)	(0.00927)
Amhra	0.0949***	0.0934***
	(0.00658)	(0.00656)
Oromo	0.100***	0.101***
	(0.00611)	(0.00611)
Somal	0.158***	0.159***
	(0.00952)	(0.00952)
Snnpr	0.0489***	0.0501***
	(0.00654)	(0.00655)
Harar	0.0955***	0.0968***
	(0.00917)	(0.00919)
Addis	0.208***	0.211***
	(0.00721)	(0.00723)
Dire	0.245***	0.248***
	(0.00961)	(0.00963)
y04	-0.0267***	-0.0271***
	(0.00316)	(0.00317)

Table 4.14. *Contd.*

Independent variables	Coefficients	Coefficients
y06	-0.0728*** (0.00283)	-0.0612*** (0.00298)
y10	-0.0508*** (0.00287)	-0.0404*** (0.00297)
y11	-0.0620*** (0.00283)	-0.0539*** (0.00313)
Observations	142,540	142,540
Wald chi2	11969.08	12493.75
Prob > chi2	0.0000	0.0000
seudo R2	0.0920	0.0956

SOURCE: UEUS 2003-11

Note: Dependent variable 1 if unemployed, 0 if employed

Table 4.15. Effect of training and education on self-employment

Explanatory variables	Coefficients	Coefficients
Lage	0.140*** (0.00576)	0.164*** (0.00582)
Sex	0.0125*** (0.00335)	0.0419*** (0.00339)
marr2	0.104*** (0.00421)	0.114*** (0.00428)
marr3	0.132*** (0.00714)	0.124*** (0.00730)
marr4	0.236*** (0.00809)	0.222*** (0.00829)
marr5	0.150*** (0.0116)	0.148*** (0.0117)
educ8	-0.0449*** (0.00428)	
educ10	-0.0775*** (0.00475)	
educ12	0.0108 (0.0210)	
Educnf	0.229*** (0.0119)	
Certfet	-0.184*** (0.00481)	
TVET	-0.271*** (0.00614)	-0.106*** (0.00884)
TVETnc	-0.194*** (0.0143)	

Table 4.15. *Contd.*

Explanatory variables	Coefficients	Coefficients
Degdipnc	-0.256*** (0.0161)	
Dipc	-0.272*** (0.0107)	
Degac	-0.311*** (0.00558)	
y11TVET	0.0409** (0.0182)	
y11educ8	-0.0171** (0.00864)	
y11educ10	-0.0120 (0.00941)	
y11educ12	0.0100 (0.0369)	
Tigr	0.00179 (0.00822)	0.00669 (0.00828)
Afar	-0.0786*** (0.00861)	-0.0944*** (0.00848)
Amhra	-0.0114* (0.00663)	-0.0104 (0.00666)
Oromo	0.0126** (0.00638)	0.0222*** (0.00642)
Somal	0.0586*** (0.00925)	0.0522*** (0.00931)
Snnpr	0.0296*** (0.00709)	0.0365*** (0.00713)
Harar	-0.000145 (0.00945)	0.0326*** (0.00972)
Addis	-0.104*** (0.00649)	-0.0816*** (0.00666)
Dire	-0.0381*** (0.00901)	-0.0178* (0.00932)
y04	-0.0101** (0.00510)	-0.0117** (0.00514)
y06	-0.0280*** (0.00492)	0.00506 (0.00508)
y10	-0.0411*** (0.00475)	-0.0145*** (0.00483)
y11	-0.0169*** (0.00633)	-0.0113** (0.00501)
Trng		-0.261*** (0.00417)
educ10c		-0.0314*** (0.00632)

TVETy11		0.0632***
		(0.0180)
educ10cy11		0.0459***
		(0.0143)
Yrsch		-0.0168***
		(0.000427)
Observations	112,981	112,981
Wald chi2	14055.02	
Prob > chi2	0.0000	0.0000
Pseudo R2	0.1264	

SOURCE: UEUS 2003-11

Note: Dependent variable is 1 if self-employed, 0 if has other employment.

Table 4.16. Effect of TVET on school-to-work transition

Explanatory variables	Exit to employment	Exit to employment
Sex	0.978	1.013
	(0.143)	(0.141)
Marr	0.962	0.960
	(0.145)	(0.145)
Age	0.973**	0.972**
	(0.0111)	(0.0110)
Exper	1.052***	1.055***
	(0.0154)	(0.0138)
Migr	0.773	0.786
	(0.130)	(0.132)
educ8	2.006**	
	(0.577)	
educ10	1.436	
	(0.430)	
educ12	0.867	
	(0.174)	
TVET	1.747**	
	(0.447)	
Dipc	1.502	
	(0.556)	
Deg	4.184***	
	(1.457)	
Crdt	1.614*	1.420
	(0.437)	(0.331)
Yrsch		0.986
		(0.0259)
Trng		1.684***
		(0.301)
Observations	414	414
ld chi2	43.09	31.14
Prob > chi2	0.0000	0.0001

SOURCE: Primary survey, 2011

Table 4.18. Logit estimation on the determinants of annual average employment growth within MSEs

Variable specification	Variable name	Model 1	Model 2
Logarithm of MSE age (year)	lage	1.225 (0.185)	1.219 (0.181)
1 if service providing MSE; 0 otherwise	Mset2	0.647 (0.305)	0.646 (0.300)
1 if Manufacturing MSE; 0 otherwise	mset3	3.413*** (1.498)	3.502*** (1.521)
1 if Construction MSE; 0 otherwise	Mset4	2.001 (1.114)	2.096 (1.153)
1 if Urban agriculture type MSE; 0 otherwise	mset5	3.908*** (1.900)	3.704*** (1.752)
1 If MSE owner is proprietor	mseo2	1.182 (0.533)	1.256 (0.560)
1 If MSE owner is cooperatives	mseo3	2.574* (1.411)	2.511* (1.371)
1 if the MSEs is located in Hawassa ; 0 or else	Town2	1.305 (0.430)	1.333 (0.434)
1 if the MSEs is located in Bahir- Dar ; 0 or else	Town3	2.688*** (0.843)	2.655*** (0.828)
Average hours of work (MSE)	lhsw	1.017** (0.00771)	1.016** (0.00766)
Size of MSE (initial employment size)	labor1	0.955* (0.0255)	0.952* (0.0261)
1 if there is access to credit	cr	1.148 (0.289)	1.152 (0.289)
Proportion of owners received training	trngo	1.193 (0.367)	1.288 (0.350)
Average hrs of family labor	hwfl	1.000 (0.00603)	1.000 (0.00601)
Proportion of owners with preparatory education	educ12	1.272 (0.416)	
Proportion of owners with degree/diploma completed	degdip	1.445 (0.643)	
Proportion of owners with TVET education	TVET	1.009 (0.355)	
Price shocks	pshocks1	1.252 (0.481)	1.264 (0.485)
Demand shocks	dshocks1	0.787 (0.264)	0.791 (0.266)
Policy shocks	plshocks1	0.511* (0.186)	0.509* (0.183)
Variable specification	Variable name	Model 1	Model 2
Motive to start MSE	motv11	1.957	2.030
Self employment is the only option		(1.287)	(1.287)

Table 4.18. <i>Contd.</i>			
Self-employment is better than paid employment	motv21	2.895**	2.918**
		(1.472)	(1.472)
Inspired by training received	motv31	1.176	1.244
		(0.598)	(0.622)
Proportion of owners with certificate to degree	certab		1.059
			(0.187)
Constant term	Constant	0.0293***	0.0338**
			*
		(0.0224)	(0.0245)
	Observations	437	437
	Wald chi2	72.96	70.78
	Prob > chi2	0.0000	0.0000
	Pseudo R2	0.1601	0.1582

SOURCE: Primary survey, 2011

Table 4.19. Cox regression result on pooled cross-section data

Independent variables	Exit to employment	Exit to employment
Sex	2.417***	2.376***
	(0.0446)	(0.0444)
Age	0.998**	0.998**
	(0.000923)	(0.000938)
marr2	1.363***	1.323***
	(0.0309)	(0.0302)
marr3	1.988***	1.943***
	(0.0737)	(0.0721)
marr4	1.796***	1.758***
	(0.0815)	(0.0797)
marr5	1.713***	1.658***
	(0.105)	(0.101)
Trng	1.343***	1.228***
	(0.0321)	(0.0313)
educ8		0.801***
		(0.0221)
educ10		0.533***
		(0.0166)
educ12		0.578***
		(0.0577)
Independent variables	Exit to employment	Exit to employment
Educnf		1.219***
		(0.0852)
Educno		1.117***
		(0.0328)

Table 4.19. <i>Contd.</i>		
Certfet		0.782***
		(0.0253)
TVET		0.562***
		(0.0314)
TVETnc		0.602***
		(0.0628)
Dipc		0.657***
		(0.101)
Degdipnc		0.511***
		(0.1000)
Degac		0.845**
		(0.0725)
Tigr	0.521***	0.523***
	(0.0239)	(0.0240)
Afar	0.482***	0.488***
	(0.0287)	(0.0291)
Amhra	0.617***	0.622***
	(0.0222)	(0.0224)
Oromo	0.613***	0.611***
	(0.0211)	(0.0211)
Somal	0.450***	0.457***
	(0.0226)	(0.0230)
Snnpr	0.783***	0.776***
	(0.0293)	(0.0291)
Harar	0.677***	0.677***
	(0.0355)	(0.0355)
Addis	0.463***	0.455***
	(0.0167)	(0.0164)
Dire	0.403***	0.398***
	(0.0199)	(0.0197)
y04	0.912***	0.921***
	(0.0252)	(0.0255)
y06	0.971	0.934**
	(0.0262)	(0.0257)
y10	1.042*	1.022
	(0.0261)	(0.0261)
y11	0.936***	0.914***
	(0.0235)	(0.0234)
Independent variables	Exit to employment	Exit to employment
Yrsch	0.927***	
	(0.00214)	
Observations	36,879	36,878
LR chi2	4954.04	5217.68
Prob > chi2	0.0000	0.0000

SOURCE: UEUS, 2003-11

Table 4.20. Probit model on theories of unemployment

Variable	Marginal effect	Z- value	P- value
Age	-0.0062	-5.93	0.000
Agesq	-0.0003	-11.80	0.000
sex*	-0.1684	-43.75	0.000
marr2*	-0.0054	-1.72	0.085
marr3*	-0.0574	-10.65	0.000
marr4*	-0.0432	-6.49	0.000
marr5*	-0.0356	-3.97	0.000
Expersq	0.0005	27.43	0.000
Yrsch	0.0698	38.17	0.000
Yrschs	-0.0032	-34.85	0.000
Informal	0.0477	2.99	0.003
Wragre	0.0172	1.36	0.175
Oragre	-0.0074	-0.59	0.558
Pubr	0.0182	3.94	0.000
Prvr	0.6675	20.91	0.000
Ss	-0.0069	-3.31	0.001
y04*	-0.0324	-8.67	0.000
y06*	-0.1132	-32.70	0.000
y10*	-0.0944	-20.24	0.000
y11*	-0.1064	-22.44	0.000
Number of obs = 111201 Wald chi2 (20) = 10868.36 Prob > chi2 = 0.0000 Pseudo R2 = 0.1095			

SOURCE: UEUS 2003-11

Table 4.21. Probability of unemployment last week and usually unemployed

Variables	Current unemployment status	Usual unemployment status
Lage	-0.172***	-0.101***
	(0.00513)	(0.00389)
Sex	-0.165***	-0.114***
	(0.00298)	(0.00242)
marr2	-0.0118***	-0.0151***
	(0.00306)	(0.00250)
marr3	-0.0639***	-0.0583***
	(0.00522)	(0.00349)
marr4	-0.0331***	-0.0346***
	(0.00697)	(0.00451)
marr5	-0.0425***	-0.0416***
	(0.00870)	(0.00608)
educ8	0.0671***	0.0655***
	(0.00466)	(0.00446)
educ10	0.117***	0.111***
	(0.00481)	(0.00464)
educ12	0.120***	0.0702***
	(0.0163)	(0.0151)
Educnf	0.0498***	-0.00282
	(0.0112)	(0.00878)
Educno		0.0105***
		(0.00402)
Certfct	0.00991***	0.0362***
	(0.00372)	(0.00340)
TVET	-0.00528	-0.00278
	(0.00673)	(0.00579)
TVETnc	0.0610***	0.0401***
	(0.0132)	(0.0116)
Degdipnc	0.0309*	-0.0243*
	(0.0180)	(0.0133)
Dipc	-0.0570***	-0.0732***
	(0.0131)	(0.00785)
Degac	-0.0963***	-0.0866***
	(0.00645)	(0.00451)
Tigr	0.119***	0.0977***
	(0.00959)	(0.00816)
Afar	0.0724***	0.0706***
	(0.0110)	(0.00905)
Amhra	0.111***	0.0830***
	(0.00794)	(0.00646)
Variables	Current unemployment status	Usual unemployment status
Oromo	0.110***	0.0812***
	(0.00719)	(0.00595)
Somal	0.148***	0.144***
	(0.0123)	(0.00978)

Table 4.21. <i>Contd.</i>		
Snnpr	0.0624***	0.0556***
	(0.00779)	(0.00653)
Harar	0.101***	0.0722***
	(0.0105)	(0.00886)
Addis	0.214***	0.192***
	(0.00829)	(0.00743)
Dire	0.234***	0.202***
	(0.0113)	(0.0101)
y04	-0.0253***	-0.0125***
	(0.00365)	(0.00313)
y06	-0.0705***	0.00783**
	(0.00338)	(0.00328)
y10	-0.0564***	0.00369
	(0.00336)	(0.00312)
y11	-0.0516***	0.0544***
	(0.00703)	(0.00522)
y11TVET	0.0225*	-0.0178**
	(0.0123)	(0.00800)
y11sex	0.00574	-0.0104**
	(0.00587)	(0.00441)
y11educ8	-0.0245***	-0.0329***
	(0.00797)	(0.00507)
y11educ10	-0.0269***	-0.0478***
	(0.00775)	(0.00448)
y11educ12	0.0385	0.0168
	(0.0245)	(0.0206)
Observations	111,201	133,377
Wald chi2(37)	11167.08	9556.18
Prob > chi2	0.0000	0.0000
Pseudo R2	0.1090	0.0899

SOURCE: UEUS 2003-2011

Table 4.23. Effect of education on unemployment (LFS)

Variables	Coefficients
Lage	-0.177*** (0.0294)
Exper	-0.0111*** (0.00124)
Sex	-0.587*** (0.0123)
migr1	-0.130*** (0.0208)
migr2	-0.194*** (0.0271)
Migr3	-0.195*** (0.0280)
migr4	-0.157*** (0.0295)
migr5	-0.173*** (0.0269)
migr6	-0.118*** (0.0283)
migr7	-0.143*** (0.0163)
Educno	-0.134*** (0.0264)
educ8	0.368*** (0.0348)
educ10	0.386*** (0.0361)
educ12	0.520*** (0.110)
Educnf	0.295*** (0.0590)
Certfct	-0.228*** (0.0482)
TVET	0.502*** (0.0698)
TVETnc	-0.172*** (0.0395)
degdipnc	0.0893 (0.0618)
dipc	-0.258*** (0.0444)

Table 4.23. *Contd.*

Variables	Coefficients
degac	-0.841*** (0.0943)
tigr	0.141*** (0.0361)
afar	0.161*** (0.0439)
amhra	0.149*** (0.0312)
oromo	0.0912*** (0.0306)
somal	0.558*** (0.0405)
snnpr	0.0867*** (0.0314)
harar	0.349*** (0.0471)
addis	0.460*** (0.0305)
dire	0.534*** (0.0434)
y05educ8	-0.282*** (0.0329)
y05educ10	-0.178*** (0.0326)
Constant	0.131 (0.0879)
Observations	63,456
Wald chi2(32)	5382.67
Prob > chi2	0.0000
Pseudo R2	0.0906

SOURCE: LFS 1999 and 2005

For all regression tables:

- Robust standard errors in parentheses
- *** p<0.01, ** p<0.05, * p<0.1

CHAPTER 11

Urban Unemployment in Addis Ababa and Arsi Zone of Oromia Region: Determinants, Consequences and Coping Strategies

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1. Introduction

1.1 Background

The world has made tremendous strides towards the achievement of Millennium Development Goals. Yet, much remains to achieve the set targets. Unemployment has become one of the serious societal problems across the globe that challenges the efforts being made towards the achievement of the goals. The problem is particularly severe in developing countries. The major causes for unemployment global-wide generally fall under either demand or supply side factors (Alemayehu 2001; Eita and Ashipala 2010; Levinsohn 2007).

Ethiopia is one of the Sub-Saharan African countries with a high rate of unemployment. According to the outcomes of the 1984, 1994 and 2007 Ethiopian censuses, the overall unemployment figures in the country during the respective periods were 478,422; 1,550,840 and 2,808,903. These constituted 1.2 per cent, 2.9 per cent and 3.8 per cent of the country's population in the productive age (Central Statistical Agency (CSA) 1991; 1999; 2008). Although the proportion seems lower when compared with what economists consider 'normal' (about 6 per cent of unemployment), it is indeed a serious problem in the country where there are limited social protection schemes to protect the unemployed segment of the society. The data clearly reveals the increasing trend of unemployment rate in the country. The rate is by far higher for urban population (17.6 per cent) than for rural population (3.8 per cent) (CSA 2010). Ethiopia has one of the highest unemployment rates worldwide, with around 50 per cent of the urban men between age 15 and 30 unemployed (Serneels 2007). This is

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mainly a result of rapid population and labour force growth (on the supply side) and limited employment generation capacity of the modern industrial sector of the economy (on the demand side). Nonetheless, detailed studies that focused on unemployment, its causes and consequences are scarce in Ethiopia. The current empirical investigation is about the livelihoods of unemployed people and how they survive among the selected individuals in Addis Ababa City and two other towns of Munessa *wereda* in Arsi Zone.

1.2 Statement of the Problem

Ethiopia is an agrarian country with 84 per cent of the population living in rural areas and making livelihoods from agriculture. Thus, land and land-embedded resources are important assets for engaging in income generating activities in the sector. However, due to rapid growth of population, the per capita land holding has shown a declining trend. The average landholding size per household in the country is about 1ha (CSA 2012). The proportion of landless people has reached almost 50 per cent of the rural inhabitants in some regions of the country. A considerable size of the rural land poor and landless mass are vulnerable to unemployment and underemployment shocks. Despite rapid economic growth during the recent decade, unemployment remained to be a persistent problem in Ethiopia. The country has registered real GDP growth of 11.4 per cent between 2004 and 2011 (Ministry of Finance and Economic Development 2012). However, such economic growth was not commensurate with the number of jobs created by the economy for the growing labour force (UNECA 2010). In particular, unemployment has been the salient feature of the Ethiopian towns (Berhanu, Abraham, and van der Deijil 2005). The economies of many towns and cities in the country have not developed well to provide the majority of the migrants from rural areas, who are mostly unskilled, with decent and adequate employment opportunities. Some segments of the unemployed individuals in the towns engage in undesirable activities such as begging, commercial sex, and theft.

The causes and consequences of unemployment have drawn the attention of government and other development actors. The Ethiopian government has made employment a constitutional issue. Quite a large number of strategies and policies have been put in place to address the pressing problems of unemployment and its consequences. The development of the Micro and Small Scale Enterprises (MSEs) and support for informal activities have been the policy focus to reduce unemployment and underemployment in towns (Ministry of Finance and Economic Development 2006).

- Within the above context, the main aim of this paper is to explore the causes and consequences of unemployment, and to examine people's responses to the problem in selected sub-cities of Addis Ababa and Kerssa and Ego towns in Arsi Zone.

1.3. Methodology

1.3.1. A Highlight on Research Sites

Addis Ababa: Addis Ababa is the capital city of Ethiopia. The city's average altitude is 2326 m.a.s.l. and is characterized by sub-tropical highland climate locally termed as *dega*. The mean temperature of Addis Ababa ranges between 10.6°C and 22.8°C, and it receives a mean annual rainfall of 1180mm (National Meteorological Services Agency 2012). Addis Ababa has a total area of 527 km², 10 sub-cities and 116 *weredas* (districts). The population size of the city was 2.7 million in 2007, which is projected to reach 4 million in 2011(CSA 2008). The city is home to diverse ethnic, language and religious groups. The economic activity of the city ranges from primary to quaternary activities. Some 21.6 per cent and 3.1 per cent of the inhabitants rely on manufacturing industries and agriculture, respectively, for their livelihoods. Service activities support the largest proportion of the population in Addis Ababa. Trade and commerce, transport and communication, education, health, and social services, and hotel and catering services account for 22.6 per cent, 9.6 per cent, 8.1 per cent and 6.2 per cent of the city labour force, respectively (CSA 2012). More than 60 per cent of the population in the city relies on the informal sector for its livelihood. The informal activities are numerous and diverse in their characteristics. Street vending, handicrafts, local drink making and selling, tea houses, etc., are the major ones.

Munessa (Kerssa and Ego towns): Munessa *wereda* is situated in the south-western part of Arsi Zone in Oromia Region (Annex 1 and 2). The total area of the *wereda* is 1071.6 km². The elevation of Munessa ranges between less than 1600 m.a.s.l in the Rift Valley and over 4000 m.a.s.l in the east. *Dega* (65 per cent), *Weyna Dega* (29 per cent) and *Kolla* (6 per cent) agro-climatic zones make up the landmass of Munessa. The mean annual rainfall of the *wereda* is 790 mm and the mean annual temperatures at Kerssa and Ego towns are 13.4°C and 14.4°C, respectively (Degefa 1996, 1997, 2003). Munessa's population was 107,168 in 1984, which is estimated to reach 192,628 in 2012 with densities of 76 and 179.8 persons per square kilometre during respective periods. The rapid population growth and the resultant higher population density in the *wereda* have implication for access to land and the size of land holding. For instance, research in Doba, Demu and Senbero communities of the *wereda* found out the proportion of landless households to be 44.4 per cent, 43.5 per cent and 53.3 per cent, respectively (Degefa 2003). As a result, there was considerable rural-urban migration, which exacerbated the problem of unemployment at Kerssa (the *wereda* capital town) and other small towns in the *wereda* including Ego. Kerssa has an area of 12.8 km² and its population was estimated at 13,864 in 2012. Ego is a small town located six kilometres northeast of the *wereda* town. Its area is about 80 ha. Currently, the number of inhabitants at Ego town is more than 3,000. The great majority of the people at Ego rely on agriculture as the major source of

livelihood income. Trade is the next most important occupation of the people.

1.3.2. Study Design and Sampling of Study Subjects

The research was a case study in its design and relied on a mix of quantitative (dominant) and qualitative (supplementary) approaches. The case study towns were purposively picked. The previous research experience in the areas and familiarities with the sites, the relatively high population concentration and the resultant high rate of unemployment have been the main justifications for selecting the sites. The next stage of sampling was sub-city selection in the case of Addis Ababa and *kebeles* in the case of Munessa. In Addis Ababa, Akaki-Kaliti and Arada sub-cities were chosen through simple random sampling. Kerssa and Ego towns have one *kebele* each, which were entirely considered for the study. The third stage of sampling was selection of individuals. Since individuals with age 15 and above were the target population and unit of analysis in the study, selection of households whose members could be eligible for the survey was carried out first. At each study *wereda* of Addis Ababa and the *kebeles* of towns in Munessa, registration books were used as a sampling frame from which households were selected randomly. One eligible member from each household was selected to constitute the sample respondents. The sample size was calculated using the formula of sample size determination for estimation of proportion (Kothari 1990).

1.3.3. Data Generation Methods

Desk review: Desk review was undertaken to generate information related to policies and strategies concerning unemployment, concepts/theories on unemployment, and previous empirical works.

Individual questionnaire survey: An exploratory survey of 410 individuals had been carried out at the two study sites. The survey allowed generating data on the local people's perceptions of the causes and consequences of unemployment. One supervisor and four enumerators participated in the collection of data from sample respondents in both study areas. Field editing of the questionnaires was made to check completeness. The qualitative data were collected by the researchers.

Key Informant Interview (KII): *Wereda* Administrators at both sites and *kebele* administrators/mayors in the two towns of Munessa were interviewed in the course of the fieldwork. Heads of social affairs office at the study *weredas* were also the key informants of the research.

Focus Group Discussion (FGD): Three FGDs were held in the two sub-cities of Addis Ababa. The groups constituted unemployed individuals and those working in paid or self-employment jobs. In the case of the towns in Munessa, two FGDs were held at each town. Employed (both self and paid) and unemployed were the FGD participants.

Case studies: In-depth interviews of some unemployed individuals were made at the two study sites. Five case studies (2 males and 3 females) were interviewed at each town. The purposely selected individuals were asked to narrate the challenges, opportunities and successes of their livelihoods from distant past to the present.

1.3.4. Data Analysis Techniques

Descriptive statistics was widely utilized to describe the characteristics of employed and unemployed individuals. Appropriate parametric and non-parametric tests were used to examine the difference between groups. Independent sample t-test and One-way Analysis of Variance were used to examine mean difference between groups. The assumption of homogeneity of variance was validated using Levene's test. The differences between categories were further assessed by applying *post hoc* test of comparison. For variables that violate the assumption of normality, Mann Whitney U. and Kruskal Wallis tests were used to examine median difference between groups. Fixed Mann Whitney U test was used for *post hoc* comparison to avoid type I error that emanates from running lots of Mann Whitney U. tests (Field 2005).

Binary logistic regression model was fitted to identify variables that significantly predict the likelihoods of unemployment. Logistic regression was preferred as it models the relative risk of occurrence of an event (unemployment) compared to the reference group (Field 2005). The parameter estimates of the logistic regression were interpreted in terms of the odds ratios. The odds ratio, which is the ratio of the probability of being employed to the probability of being unemployed, is computed as follows:

$$\frac{p_i}{1-p_i} = e^{\beta_0 + \beta_1 X_1 + \beta_2 X_2 + \dots + \beta_n X_n + u_i}$$

Where p_i is a probability that a respondent was unemployed; β_0 is the intercept; $\beta_1, \beta_2, \dots, \beta_n$ are the logit parameters (slopes) of the equation in the model; and $X_1, X_2, \dots, X_n$ are predictor variables. The exponential value of the logistic regression coefficient (e^{β_n}) is the odds ratio associated with a one unit increase in the value of the predictor variable. The qualitative data were transcribed and narrated to supplement the quantitative findings.

1.4. Organization of the Paper

The remainder of the paper is organized under six sections. The first section provides background information about unemployment, introduces the research setting, and explains the methods. Section two presents the review of conceptual/theoretical and empirical literature. Section three describes the characteristics of sample respondents. The main findings of the paper with emphasis on determinants of unemployment, consequences of unemployment (the economic, social, psychological, environmental and political), and the ways the unemployed persons cope with economic

problems induced by unemployment are synthesized in sections four, five, and six, respectively. The last section draws some conclusions and highlights the policy implications.

2. Unemployment – Theoretical Basis, Empirical Review, and Conceptual Framework

2.1 Theories of Unemployment

Various theoretical perspectives, with varying levels of application and empirical support, were developed to explain causes and consequences of unemployment. Three of these theories are Keynesian theory, institutional school of thought, and sociological theory. Keynesian theory focuses on market forces of demand to provide macroeconomic explanation of unemployment (Jacobsen and Skillman 2004). It points to disequilibrium in the economy as a cause of unemployment (Rodenburg 2004). The limited employment opportunity stems from the limited demand for goods and services which forces the employers to reduce the number of their employees (Kingdon and Knight 2005). The theory argues that government interventions through various policies are good means to increase economic activity and aggregate demand to reduce unemployment rate.

The institutional school of thought emphasizes the role of institutional factors as a cause of unemployment. Institutions that affect labour market outcomes include employment protection legislation, worker protection, active labour market policies, formality and informality in the labour market, and wage bargaining (Naude and Serumaga-Zake 2010; Flaig and Rottmann 2011). These institutions influence labour market outcomes differently (Baker et al. 2004; World Bank 2007; Puerta 2010). The sociological thought explains the problem of unemployment in relation to personal and social factors. It considers cultures, customs, family background, etc., as major causes of unemployment (Serneels 2007). According to structural-functionalist theory (Pope 1975), unemployment is more attributable to social factors than to individual factors. On the other hand, symbolic interaction theorists argue that individuals build their own social constructs and perception, and they can be subjective in their behaviour (Sheeran and Abrams 1995). The three theoretical perspectives underscore that unemployment is the result of multiple factors that operate at macro and micro levels. Hence, in this study, the analysis of unemployment in the study areas is put within and guided by these divergent theoretical views to capture its different aspects.

2.2 Review of Empirical Works

Although employment is the channel through which economic growth can result in poverty reduction (UNECA 2010), unemployment persists to be a problem that challenges the achievement of the Millennium Development Goals. Between 2008 and 2011, global unemployment rate increased from 5.6 per cent to 6.0 per cent and the number of unemployed persons

remained stuck at around 197 million (ILO 2012a). The ILO also warns that about 400 million new job seekers will enter the labour force over the next ten years. The rate of unemployment is consistently higher among females than males (ILO 2010a). Besides, youth are the most affected by unemployment compared to adults (ILO 2012b). There is variation in the rate and trend of unemployment across major regions of the world. Although unemployment rate is declining slightly in most regions, it is persistent around 8 per cent in Sub-Saharan Africa. In addition, the youth constitute 20 per cent of the continent's population, 37 per cent of the total labour force, and about 60 per cent of unemployment in Africa (African Development Bank 2011).

The persistence of unemployment in a given area is the result of multiple demand and supply side factors (Kingdon and Knight 2004; Rodenburg 2004). While the former determines the size of new job opportunities created by the economy, the latter refers to the number and characteristics of individuals looking for jobs. The number of jobs created at a given time is a function of economic performance. Unemployment is supposed to be high when the level of economic growth is low and fluctuating; the performance across different sectors is not balanced; inflation is high; and investment is limited (Alemayehu 2001; Eita and Ashipala 2010). Besides, owing to the type of technology used, the shift from labour-intensive to capital- and skill-based methods of production reduces the demand for considerable size of labour available in the market (Dooley and Prause 2004; Gugushvili 2006) and leads to influx of under-educated persons into the labour market which results in rising unemployment (Levinsohn 2007).

The supply side factors include rapid population growth, mismatch between market demand and the available skill, and other characteristics of the unemployed individuals. In rural areas, rapid population growth reduces per capita land holding leading to absence of fulltime employment in agriculture (Ali 1993; Nair 1997; Mahendra and Mahajan 2003). The consequent out-migration also increases labour supply and unemployment in urban areas (Prakash 2002; Devillanova 2003; De Gobbi 2006). Personal factors that determine the labour force status of individuals are their demographic, social, and economic characteristics. Among the demographic factors, non-linear relationship is observed between age and unemployment (Rama 2003; Sackey and Osei 2006) with highest rate of unemployment being observed at younger ages (Kingdon and Knight 2004; Naude' and Serumaga-Zake 2010). While most studies show high risk of unemployment among females (Paul 1993; Jemio and Choque 2003; Selim 2006), others indicate that males are more likely to be unemployed (Sackey and Osei 2006).

The likelihood of unemployment decreases with increase in educational level (O'Higgins 2001; Dickens and Lang 1996; Selim 2006). Contrary to this, there are findings showing higher likelihood of unemployment among the better educated (Mathew 1995; Rama 2003; Kanapathy 2004). Married

persons have lower likelihood of being unemployed (Kingdon and Knight 2004; Sackey and Osei 2006). On the other hand, Naude' and Serumaga-Zake (2010) found decreased probability of employment for married females. The incidence of unemployment is partly a function of the socio-economic status of households (Rama 2003; Eita and Ashipala 2010). The probability of unemployment is the highest for the poor and the rich, and relatively small for the middle-income group. Unemployment rate is often higher in urban areas compared to the rural counterparts (Serneels 2007; Prakash 2002). Preference for jobs increases the duration of structural and frictional unemployment (Mathew 1995; Prakash 2002). Studies assessing the effect of migration show inconsistent results. In some studies, lower incidence of unemployment is observed among migrants (Cornwell and Inder 2004; Sackey and Osei 2006) and the opposite is documented in others (Jemio and Choque 2003).

The persistence of unemployment in a country has multifaceted consequences not only on unemployed persons but also on their families, society, and the nation (Feldmann 2010; Gathergood 2012). Unemployment has particularly severe psychological (Kraft 2001; Clark 2003; Carroll 2007; Nazir et al. 2009), health (Turner 1995; Cassidy and Wright 2008; Hammarstrom and Janlert 2002; Rantakeisu, Starrin, and Hagquist 1997), social (Dooley and Prause 2004; Kingdon and Knight 2005; Nazir et al. 2009), and economic (Kraft 2001; Strom 2003; Osmani 2005; Eita and Ashipala 2010) impacts on unemployed individuals and their families. The effect of unemployment on the national economy (Levinsohn 2007; Feldmann, 2010) and political stability (Dooley and Prause 2004) is also well-documented. Unemployment affects the wellbeing of individuals and families through its economic and moral effects (Hammarstrom 1994; Turner 1995; Rantakeisu, Starrin, and Hagquist 1997).

2.3 Conceptual Framework

This study employed the labour force framework to identify the economic activity status of respondents. The labour force comprises all individuals above a specified minimum age, who, based on the activity during a brief period of one week or less, can be categorized as being employed or unemployed (Husmanns, Mehran, and Verma 1990; Liu and Wu 1999). Unemployment includes all persons above a specified age who, during the reference period, were without work; currently available for work; and seeking work (ILO 1983; UN 2010). However, the practical implementation of the third criterion (seeking work) is difficult particularly in developing countries (Byrne and Strobl 2001) where channels for exchange of labour market information are lacking (Suryadarma, Suryahadi, and Sumarto 2007). Hence, in this paper, the relaxed definition of unemployment, which uses being without work and current availability for work criteria, is used for measurement of unemployment. In Ethiopia, too, the CSA (2006) reported that the complete relaxation of the standard definition is most plausible to measure unemployment.

The review of theories and empirical works presented above show that the labour force status of an individual is determined by the multifaceted interaction between demand and supply side factors of the labour market (Husmanns 2007; Somaya 2011) with complex network of interface between employers and employees (Centre for Development Studies 2010). Hence, comprehensive analysis and interpretation of the causes of unemployment call for the consideration of both demand and supply side forces. The demand factors include mainly the employment opportunities created at a given time, which, in turn, is the function of economic performance. The supply side factors entail the characteristics of individuals in the labour market. Since the number of jobs created at a given time is often less than the number of individuals looking for jobs, the chance of getting employment depends on the quality of individuals available in the market in terms of competence and costs of unemployment. Furthermore, the interaction between demand and supply side factors is mediated by institutions that influence not only the quality of jobseekers and trend of job creation but also patterns of labour market operation.

The incidence and duration of unemployment, in turn, has multiple influences that are manifested at different levels. Unemployed individuals are at the forefront in terms of bearing its impacts. Unemployment also has costs to the immediate families of unemployed individuals. According to the sociological perspective, the effects of unemployment on families are the results of interplay between economic situations and family experiences (Strom 2003). The cumulative effects of unemployment are observed at the societal and national levels. These take different forms including stagnation of economic growth due to limited productivity of the unemployed labour force, expansion of anti-social behaviour, and political instability.

3. Description of the Study Sample

The mean age of the respondents was 31.2 years, with the range between 16 and 64. More than half (57 per cent) of the respondents were within the age category of 15-29. One-third (32.7 per cent) of the respondents were females. Nearly 60 per cent of the survey respondents had educational background of secondary school and above. Nearly one-third had tertiary education. In Munessa, the proportion of individuals with no education was higher (19.6 per cent) than in Addis Ababa (7.5 per cent). Conversely, those who attended tertiary education were higher in Addis Ababa (38.8 per cent) than in Munessa (23.9 per cent). About 67 per cent of the survey respondents were born at their current places of residence. The remaining were migrants who moved to Addis Ababa and the two towns of Munessa (Ego and Kerssa) from different regions of the country. Of all migrants, 55.9 per cent originated from Oromia region, and the second largest place of origin was the SNNPR (25 per cent). Likewise, for the migrant respondents in Addis Ababa, Oromia and SNNP regions were the main sending areas. Household heads constituted 53 per cent of the respondents. In Munessa, 70 per cent of the respondents were heads of households, and

the corresponding figure in Addis Ababa was 35.8 per cent. About 49 per cent and 38 per cent of the respondents reported to be single and married, respectively. The picture of this attribute is different for the two study sites. In Munessa, the percentage of married persons (48.8 per cent) was greater than other categories, followed by the group of single (36.4 per cent). In Addis Ababa, six among ten respondents were single and 27.4 per cent of the respondents had reported to be in marriage.

In this study, the labour force status of the survey respondents was determined in three stages after identifying the working age population (population at or above age 15). At the first stage, among the working age population, the employed category (persons at work or temporarily absent from work) were identified. Secondly, among the remaining persons, those who were not currently working but available for work and/or seeking work were identified to comprise the unemployed category. Those that were neither currently working nor available for or seeking work were excluded from the statistical analysis of the labour force. Accordingly, among the 410 survey respondents, 178 were currently working. Among these, more than half (99 individuals) were in paid employment and the remaining were self-employed (Figure 1). While 128 of the currently working population stated that they did not want to work for additional hours during the seven days prior to the survey, 50 individuals were willing and available to work for additional hours. Among those not currently working, only 88 had prior work experience. Fifty five individuals were discouraged workers and six individuals were out of the labour force.

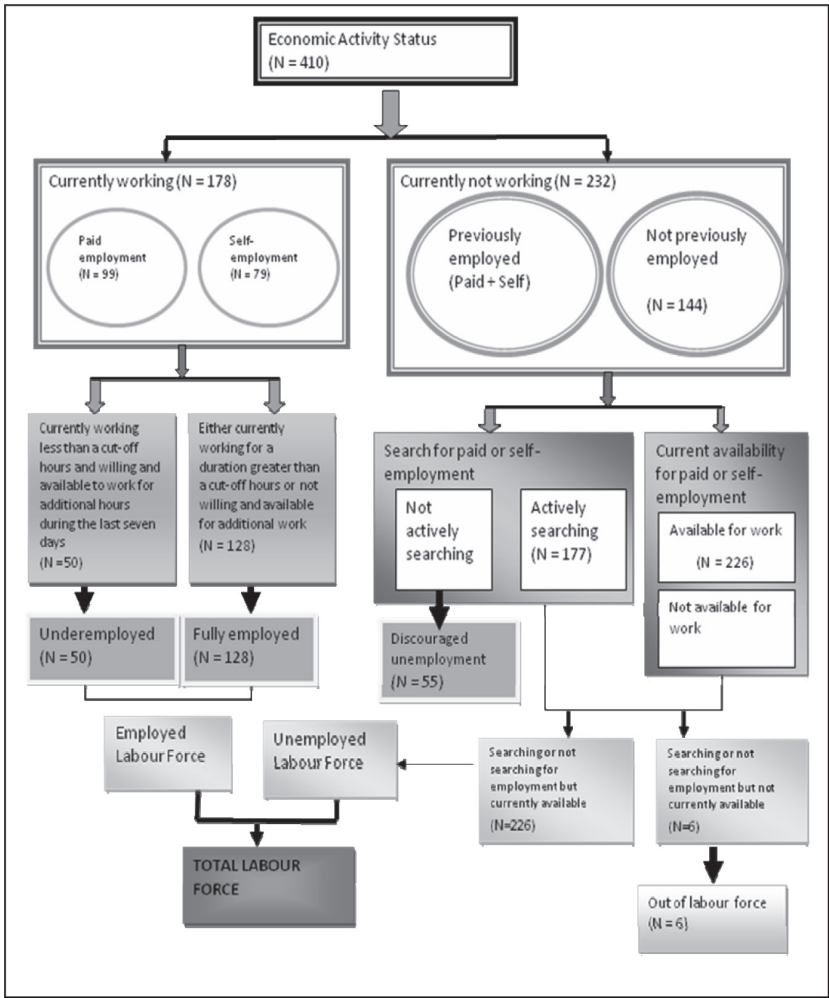


Figure 1. Labour Force Framework

SOURCE: Survey data (March 2012)

4. Unemployment

4.1 Job Search and Availability for Work

Job search is an important step of transition from unemployment to employment. The probability of getting a job is partly dependent on active involvement of unemployed individuals in job search as it enables them to recognize the number of job opportunities available in the labour market and obtain more information on these opportunities permitting the job seeker to select the best alternative (Somaya 2011). Active job search also reduces the duration of unemployment. The success of getting a job varies depending on job search strategy, intensity of job search, and other characteristics of unemployed individuals and the labour market (Centre for Development Studies 2010; Somaya 2011). Among respondents who were not working, about 72 per cent of them had actively been searching for jobs and 97.4 per cent of them were willing and available to take paid or self-employment during the subsequent one month. The main strategy utilized by most of the individuals was searching for jobs on the vacancy advertising boards (47.8 per cent). Besides, about 40 per cent of the job-seekers sought the assistance of friends and relatives, indicating the reliance of a considerable number of individuals on informal methods of job search.

The involvement of individuals in job search activities is a function of many factors including personal characteristics and previous employment histories. Compared to individuals with tertiary level education, the likelihoods of actively searching for a job had decreased by 80 per cent and 71 per cent for those with no education and primary education, respectively ($p < 0.05$). Consistent with findings in South Africa (Hinks 2008) and Egypt (Somaya 2011), it is related to the fact that people with higher level of education are more likely to actively search for a job due to expected financial returns in doing so and higher personal aspirations. The chance of getting a job is also high for individuals with higher level of education (Kingdon and Knight 2004). They search for a job in a geographically wider area using multiple job search strategies (Somaya 2011). Having previous work experience increases the likelihood of actively searching for a job by 39 per cent ($p < 0.01$). This is associated with increased motivation of unemployed individuals to search for jobs based on knowledge obtained from previous job search and work experiences. Unemployed individuals with prior work experience are relatively more effective in job search owing to the intensity of job search and utilization of selected methods of job search. For individuals living in Munessa, the likelihood of actively searching for jobs decreases by 69 per cent compared to those in Addis Ababa ($p < 0.05$). This is related to less access to labour market information in small towns and higher cost of travelling longer distance to search for a job. Besides, job search is more likely to pay-off in urban areas (Somaya 2011).

Under the relaxed definition of unemployment, current availability is the crucial criterion to identify unemployed individuals. In this study, survey respondents who were not working at the time of the survey were requested whether they were willing and available to work for income earning or establish own business during the subsequent one month if opportunities to work existed. Ninety per cent were available for both paid employment and self-employment. The youth, males, never married persons, migrants, residents of Addis Ababa, and those with higher educational level and prior work experience were more available for work. This implies that those who search for a job as the only means of survival and limited family responsibilities have more knowledge of techniques of job search and are readily available for work. More than half of unemployed individuals available for jobs (58.3 per cent) wanted to get paid employment in or around their current place of residence. While one-third indicated their interest to work anywhere in the country, only 9 per cent stated that they wanted to work only in urban areas of the country. Furthermore, about 38 per cent of those willing to take up work for wage wanted to get employment in government offices or non-government organizations. Thirty-nine per cent of the individuals, however, mentioned that they were looking for any available work. The distribution generally shows two points. First, a substantial number of jobseekers is still inclined towards jobs in the formal sector. Secondly, there were individuals who seemed to be so desperate that they want to engage in any type of work available.

4.2 Distribution of and Entry to Unemployment

Ethiopia is among African countries known for its higher level of unemployment (Berhanu, Abraham, and van der Deijl 2005; De Gobbi 2006; World Bank 2007). In this survey, too, total unemployment rate was found to be 55.9. The risk of unemployment varies by the characteristics of the survey respondents as shown in Table 1. Unemployment rate was the highest (62.7 per cent) among the youth. The rate of females' unemployment was slightly greater than that of males. A noticeable difference in unemployment was observed by level of education. Nearly three-fourth (74 per cent) of individuals with no education were unemployed compared to about 58 per cent of those with secondary education and about 41 per cent of those with tertiary education. Although unemployment rate was observed to decline with educational level, the figures indicated that graduate unemployment is becoming one of the labour market challenges. Unemployment rate among currently married individuals was less than the never-married individuals by 24 per cent. Non-migrants were more unemployed than migrants. Rate of unemployment consistently decreased with increase in father's educational level. Likewise, there was a sharp decline in the incidence of unemployment with increase in the perceived economic status of respondents' parents. About 82 per cent of the respondents who perceived their parents as poor were employed compared to 44 per cent for those who stated economic status of their parents as medium or rich. Contrary to the

expectation that unemployment rate is higher in cities and big towns, the rate in the small towns in Munessa *wereda* was greater than that of Addis Ababa by about 10 per cent.

About 61 per cent of the unemployed individuals were those who did not have prior work experience. It indicates that most of the unemployed individuals were first time job seekers who newly entered the labour force upon completion of or dropping out from school and graduation from higher education institutions. Males, youth, those with lowest level of education, currently married, non-migrants, and residents of Munessa constitute a substantial share of unemployed individuals who had not worked previously. Owing to the fact that it is the age when they leave formal education, the youth are most likely not to have previous employment experience. More than two-thirds of currently married unemployed individuals reported not to have worked before, which may be because they joined the unemployed labour force after getting married. As a means of survival, migrants often take any available work so that they represent a relatively smaller proportion of those who had no prior work experience. The percentage of unemployed individuals who were not previously employed was substantially large in Munessa than in Addis Ababa. This is partly related to the limited employment opportunities in small towns. The percentage of unemployed individuals with no prior experience decreased with increase in the perceived economic status of parents.

On the other hand, 39 per cent of the unemployed individuals entered into unemployment from employment. The chance of entry to unemployment from employment is associated with varying characteristics of the respondents. The likelihood of entering into unemployment from employment increases with age. With increase in age, there is a corresponding improvement in work experience of the individuals. Hence, they may quit one job to search for a better paying job that matches their years of work experience. The likelihood of entering into unemployment from employment is less for migrants than non-migrants. Given that migrants shall support themselves and their families on the one hand, and quitting work might have severe financial and psychological implications, it is less likely for migrants to move from the status of employment to unemployment. Similarly, the chance of entering into unemployment from employment is significantly less for unemployed individuals in Munessa than in Addis Ababa. As is usually expected and repeatedly mentioned, this is partly related to limited employment opportunities in small towns that make the period of frictional unemployment quite longer. Hence, employed persons in this area have less motivation to quit jobs to search for better ones.

The transition from employment to unemployment can be either voluntary or involuntary. The decision to voluntarily enter into unemployment is a function of the cost of being unemployed and the prospect for future

employment opportunities with better financial benefits (Kingdon and Knight 2004). The cost of voluntary work quitting, in turn, depends on income obtained from various sources and one's financial commitments. In this regard, individuals with no or less financial responsibilities are more likely to be voluntarily unemployed. In this study, 56.8 per cent of unemployed individuals had become involuntarily unemployed (i.e. quitted job due to displacement of work, termination of contract, shutting down of an organization, disagreement with employer, health problem, seasonality of work, and income insecurity). Youth, males, those with primary level education, never married, migrants, and individuals from better-off families constitute a sizable share of unemployed individuals who quitted their previous job involuntarily.

Conversely, 43.2 per cent of unemployed individuals entered into unemployment voluntarily (i.e. stopped working to search for better payment, work in one's own profession, lack of satisfaction, private/family affairs, marriage, lack of opportunity to learn and gain experience and promote business, and lack of job security). A larger percentage of mid-career individuals (30-44 years of age) and females voluntarily quitted their previous work. Contrary to the expectation that individuals with higher level of education are more likely to voluntarily quit work due to high probability of re-employment, more than half of unemployed persons with no education had quitted their job voluntarily. This may be because, if most of the activities in which individuals are engaged are low paying that require unskilled labour, the cost of voluntarily quitting may not be high. Although individuals with less financial commitments and family responsibilities are expected to quit work voluntarily in most of the cases, the result of this study shows that a considerable percentage of currently married persons quitted their work voluntarily. They might have quitted their work voluntarily for reasons related to household responsibilities. The percentage of non-migrants who voluntarily quitted their work was greater than that of migrants, which can be attributed to their limited financial responsibilities. It is expected that the incidence of voluntarily quitting work is high in areas with better employment opportunities. However, the result of this study showed that the chance of voluntarily quitting work was two times greater in Munessa than in Addis Ababa, which requires further investigation.

4.3 Determinants of Unemployment

Reducing unemployment necessitates the importance of analysing factors explaining its incidence to build on existing evidence and document policy and programmatic implications. To this end, binary logistic regression model was fitted to identify factors that significantly predict the likelihood of being unemployed. The dependent variable (employment status) was coded as 1 if an individual was unemployed and 0 otherwise. Table 1 presents the results of the model fitted for all respondents and youth. In a model fitted for all individuals, increase in age was associated with lowest

likelihood of unemployment. Compared to the youth (15-29 years), the likelihood of unemployment decreases by 53 per cent for individuals in the age group 30-34 ($p < 0.05$). The result was consistent with other findings in Ethiopia (Tegegn 2011; Letaneh 2011) and other countries (Rama 2003; Kingdon and Knight 2004; Naude' and Serumaga-Zake 2010). The highest incidence of unemployment among the youth is attributed to their tendency to search for a job for a longer period than engaging in any available but 'undesirable' job. Besides, youth can afford a long period of job-search as their financial commitment is limited compared to that of adults. A low level of education and work experience (Naude' and Serumaga-Zake 2010) also prevents the youth from entering into employment.

The consistent decline in the likelihood of unemployment with increase in educational level was statistically significant ($p < 0.001$), showing the substantial role of education in explaining variation in the incidence of unemployment. Individuals with no education were five times more likely to be unemployed than those with tertiary education. Likewise, the chance of being unemployed was two times more likely for those with primary education compared to the same reference category. A similar pattern is observed in a model fitted for the youth. Although the result is in contrast with that of Serneels (2007) who documented a high rate of unemployment among the well-educated, similar findings are documented in other studies (Dickens and Lang 1996; Berhanu, Abraham, and van der Deijl 2005; Sackey and Osei 2006; Selim 2006; Naude' and Serumaga-Zake 2010). The better employment prospect of well-educated individuals is related to the high intensity and effective strategy of job search used by educated members; the inclination of the contemporary world of work towards better-educated job seekers; and the realistic reservation wages of educated individuals that enhances acceptance of a given job offer.

Table 1. Logistic regression result of determinants of unemployment

Variable	Classification	Labour force size	Unemployment rate	All		Youth	
				S.E.	Exp(β)	S.E.	Exp(β)
Sex	Male	274	55.8				
	Female	130	56.2	.28	0.90	0.35	1.11
Age group	15-29	233	62.7			--	--
	30-44	113	43.4	.32	0.47**	--	--
	45+	58	53.4	.45	0.68	--	--
Educational level	No education	53	73.6	.51	5.99***	1.20	7.58*
	Primary	105	63.8	.34	3.19***	0.44	2.73**
	Secondary	118	57.6	.32	2.23***	0.38	1.89*
	Tertiary	128	40.6				
Marital status	Never married	199	64.8	.33	4.06***	0.42	3.49***
	Currently married	155	40.6				
	Divorced/ widowed	50	68.0	.44	2.72**	0.95	4.71*
Migration status	Non-migrant	269	58.4				
	Migrant	135	51.1	.27	0.61**	0.35	1.19
Father's educational level	No education	186	60.8	.44	1.33	0.51	0.83
	Primary	120	54.2	.41	1.02	0.48	1.06
	Secondary and above	74	52.7				
Perceived economic status of parents	Destitute	39	82.1	.59	8.62***	0.75	5.59**
	Poor	154	66.2	.28	2.49***	0.38	3.09***
	Medium/rich	209	44.0				
Study area	Addis Ababa	201	50.7				
	Oromia - Munessa	203	61.1	.27	1.75**	0.35	1.88*
Constant		--	--	.53	0.50	0.65	0.34
Number of cases		404	55.9				203
-2 log likelihood		--	--		416.85		248.98
Nagelkerke R square		--	--		0.308		0.221

SOURCE: Computed from Survey Data (March 2012) *** p<0.001 ** p<0.05 * p<0.1

The likelihood of unemployment was higher for never-married individuals. They were three times more likely to be unemployed ($p < 0.001$) than currently married individuals. Consistent with other findings (Getnet 2003; Kingdon and Knight 2004; Sackey and Osei 2006; Tegegn 2011), it indicates that never married individuals, due to absence of family-related responsibilities, are more likely to stay unemployed to search for a better job that suits their expectations rather than getting locked into any available job. Conversely, lack of employment also hinders the youth from entering into marital union. The likelihood of unemployment was less by 70 per cent and 64 per cent for individuals whose mothers had no education and primary education, respectively, than unemployed individuals born to mothers with secondary education and above.

The economic status of parents, which was measured through subjective assessment of the wellbeing of parents by the respondents, was significantly associated with the incidence of unemployment. Individuals who perceived their parents as destitute and poor were 7.6 and 1.5 times more likely to be unemployed, respectively, than those who stated the wellbeing of their parents as medium/rich. The pattern is similar for unemployed youth. Consistent with the finding of Serneels (2007), the result shows the persistent problem of unemployment among individuals from economically poor households. It may be a signal of involuntary unemployment among this group. For individuals from poor households, involuntary unemployment is typical as the unemployed household members often have financial constraint to actively search for available employment opportunities in and outside their locality (Eita and Ashipala 2010). It also inhibits them from taking business risks and establish own income-generating activities (see Box 1, for example).

Box 1

Various risks aggravate the risks of unemployment

Tolashi Seboka, 42, is a mother of four children. Her life is full of challenges. Her husband is very sick and he is on the bed day and night. While she was sorrowfully thinking about this problem, their house was totally destroyed by fire seven years ago due to which she lost not only her son but also all their properties. The elder brother himself lost an eye in the accident. Neighbours, relatives, and their *idir* constructed a thatched-roof house for them. She also borrowed money from local institutions to cover some of the consumption expenses and buy household utensils. She has half hectare of land in the rural area. But, it wasn't cultivated during the last two years due to problem of water logging and lack of oxen and labour. The sick child dropped-out of school due to dual problems of eye loss and epilepsy. She sold all her assets to cover the medical expenses of her husband and son. She also found it very difficult to pay back the money she had borrowed from the *idir*. She used to earn income from pottery. But, care for her husband and the child affected her working time. Yet, she is the only responsible person in the household to provide food for all. She feels afraid to request for support from relatives as they had supported her a lot till then. She receives support only when they help her on their own. As she said, most of her neighbours are poor and it is impossible to get big support except what they can do for each other. Due to all these problems, the life of her family is very much distressed.

The likelihood of unemployment among migrants was lower than the non-migrants by 39 per cent ($p < 0.05$). Similar findings were documented in other studies in Ethiopia (Getnet 2003; Berhanu, Abraham, and van der Deijl 2005; World Bank 2007; Tegegn 2011). Since a substantial percentage (61 per cent) of the individuals migrated to search for a job, taking any available job as a survival mechanism is expected to reduce the risk of unemployment among this group. Besides, half of the migrants had at least a secondary level education, which increases the probability of their employment in different sectors. The likelihood of unemployment was 75 per cent higher for individuals living in Munessa than for those in Addis Ababa ($p < 0.05$). It may be related to the argument that large cities possess a broader range of skills of workers and better economic performance that can offer diverse opportunities for job seekers (McCormick and Wahba 2005). The limited presence of diversified employment opportunities, lack of timely labour market information, and seasonality of agricultural activities seemed to have contributed to a higher unemployment rate in Munessa.

6. Consequences of Unemployment

In countries like Ethiopia, where unemployment insurance is non-existent, engagement in paid or self-employment is very crucial not only for improvement of one's standard of living but also as a survival mechanism. However, the preceding section shows a persistent problem of unemployment in the study areas. Entry to unemployment from employment or difficulty of getting employment after schooling has multiple consequences on unemployed individuals, their families, and the country.

5.1 Economic Consequences

The economic consequences of unemployment was measured based on the assessment of individual wellbeing, family wellbeing, and financial constraints of individuals and families.

Individual wellbeing: Information on the subjective change in the wellbeing of unemployed persons was derived from the following question: "Has your general wellbeing improved or worsened as a consequence of your unemployment?" The response was measured on a five-point scale ranging from improved a lot to worsened a lot. Although it is sometimes assumed that unemployment could be beneficial as it provides a chance to give more attention to one's family (Weckstrom 2012), none of the unemployed persons stated positive wellbeing. Of all unemployed respondents, only 15 per cent stated that their wellbeing was not changed due to unemployment. These groups of people (e.g. youth, never married persons, non-migrants, individuals from economically better families) were mostly dependent on their families or other persons due to which unemployment neither changed nor negatively affected their wellbeing.

The majority of the unemployed individuals responded that unemployment affected their wellbeing negatively. The negative wellbeing effect of unemployment was dominant among the old-age persons, males, widowed/divorced individuals, migrants, and those with no prior work experience. The percentage of unemployed persons with negative wellbeing consistently decreased with increase in educational level with a significant difference between the education groups. The *post hoc* comparison test showed that compared to unemployed individuals with no education, the negative wellbeing outcome was significantly reduced for those with primary, secondary, and tertiary level education ($p < 0.001$). Increase in duration of unemployment consistently and significantly increased negative wellbeing change. Not surprisingly, most unemployed individuals from destitute families reported negative wellbeing change (94 per cent) compared to 78 per cent for those from medium/rich families. There was variation in individual wellbeing outcome by geographical area. Unemployed individuals from Munessa *wereda* reported negative change to their wellbeing more than residents in Addis Ababa.

Family wellbeing: Unemployed individuals were requested to subjectively assess the effect of unemployment on the wellbeing of their respective families. For unemployed household heads/spouses, family referred to members in their respective households whereas for other individuals it referred to the wellbeing of their parents and other household members. None of the respondents stated positive wellbeing outcome of unemployment. Only about 14 per cent of the unemployed respondents indicated that their unemployment had no effect on the wellbeing of their families. Most of these respondents were youth, females, those with tertiary education, never married individuals, non-migrants, those with prior work experience and shortest duration of unemployment (less than a year), economically better-off households, and residents of Addis Ababa. This may be related to the limited contribution of these individuals to family wellbeing. Contrary to this, unemployed individuals who seemed to have family responsibility and from economically poor parents reported negative wellbeing outcome of unemployment. These were old age individuals (≥ 45 years), males, widowed/divorced persons, migrants, those with no prior work experience who remained unemployed for relatively longer duration, those from economically very poor parents, and residents of Munessa *wereda*.

Financial constraint: According to the agency restriction model, financial deprivation is one of the ways through which unemployment negatively affects the wellbeing of individuals and their families. Financial constraint associated with unemployment leads to difficulty of looking forward and establishing a personally satisfying life style (Weckstrom 2012). In this study, financial constraints of both individuals and families were measured based on subjective assessment of difficulty in covering various individual and family expenses. The value of the index ranged between 0 and 5 for individual financial constraint, and between 0 and 9 for family financial

constraint, large values showing severe financial constraints. With respective Cronbach's alpha coefficients of 0.81 and 0.90, the scales had very good internal consistency to measure financial constraint.

Financial constraint of individuals: The total median value for unemployed individuals was 5 compared to 2 for their employed counterparts, indicating higher financial constraint among the unemployed. Unemployed individuals with no previous work experience, long duration of unemployment, very poor and poor parents, and residing in Munessa, had higher levels of financial constraints. Assessment of a capacity to buy what they needed also showed a severe financial constraint of unemployed individuals. About 79 per cent of employed individuals stated that they were capable of buying almost all of what they needed compared to only one-fifth of unemployed respondents. The Chi square test showed significant association between labour force status and ability of buying what was needed ($\chi^2 = 27.24$, $p < 0.001$).

Financial constraint of families: This was measured based on respondents' subjective assessment of the capacity of their families to cover various costs. The mean financial constraint of families of the unemployed individuals was nearly twice that of the employed individuals with a significant statistical difference. Individuals with no education, widowed/divorced persons, those with no prior work experience, longer duration of unemployment, very poor parents, and residents of Munessa *wereda* had families with higher levels of financial constraints. This may be because most of the respondents from these categories were household heads. For instance, 80 per cent of individuals with no education, 65 per cent of individuals from very poor families, 91 per cent of widowed or divorced persons, 73 per cent of those who were unemployed for a longer period, and 70 per cent of respondents in Munessa *wereda* were household heads.

5.2 Psychological Consequences

Psychological wellbeing was measured based on the modified form of General Health Questionnaire (GHQ) (Clark 2003). It emphasized respondents' feelings related to self-confidence, depression, anxiety, and ability to cope with difficulties. The responses to the GHQ questions measured on a four-point scale were converted to an index that serves as a proxy indicator of psychological wellbeing of individuals. The index had very good internal consistency with a Cronbach alpha coefficient of 0.89. The psychological wellbeing of the unemployed individuals was significantly lower than the employed ones ($p < 0.001$). Unemployed individuals with secondary and tertiary education had higher psychological wellbeing than those with no education. This may be because individuals with a higher level of education are more optimistic about the possibility of getting employment in the future. Currently married persons had lower psychological wellbeing ($p < 0.05$) than never married individuals, which reflects the stress among these persons which emanates from the

responsibility to meet the requirements of their families. Longer duration of unemployment and lower economic status of families were associated with lower psychological wellbeing. With increase in duration of unemployment and limited/no support from parents, individuals feel more anxious and less self-confident, which seriously deteriorates their psychological wellbeing.

Unemployment related psychological problem occurs in two ways (Turner 1995). The first is through financial loss. Due to either loss of job or difficulty of getting employment, the lack of income and the consequent difficulty of fulfilling one's necessities result in psychological strain. Secondly, unemployment is associated with lower psychological wellbeing via its adverse effect on individuals' self-concept. The self-image of unemployed individuals is damaged in the context where employment comprises an important component of one's identity. It also damages one's self-worth due to loss of job-related and socially approved status and roles. Hence, financial constraint and the associated emotional strain partly explain the lower psychological wellbeing of unemployed individuals.

5.3 Social Consequences

Respondents' relationship with their families and other societal groups (friends in particular) were used to examine the social consequences of unemployment based on questions requesting subjective assessment of the nature of a relationship with a spouse, parents, brothers, sisters or friends. The responses that were measured on a four-point scale were summarized to an index that showed the level of a relationship with family members. The values ranged from 3 to 12, higher values indicating poor relationship with family members and friends. The internal consistency of the scale was good with Cronbach's alpha coefficient of 0.82. The values were then converted to categorical variables: 'have no problem in relationship with a family or friends' and 'have some problem'. Nearly three-fourth of employed individuals had a good relationship with their families compared to 72 per cent of unemployed individuals. While close to one-fourth of employed individuals had a problem in their relationship with a family, the figure was slightly greater than one-fourth of unemployed respondents. The Chi square test of association also showed the statistically insignificant association between family relationship and labour force status. Similarly, the difference in the percentage of employed and unemployed individuals by social relation with friends was very small. While two-thirds of employed individuals had a good relationship with their friends, the figure slightly dropped to 60 per cent for unemployed individuals. The percentages of employed and unemployed individuals who had some problem in their social relation with friends were 35 and 39, respectively. The Chi square test of association also proved the insignificant association between labour force status and the nature of the relationship with friends.

5.4 Health Consequences

Data on the overall health condition of survey respondents and engagement in various habits that would harm one's health were collected to analyse the health consequence of unemployment. Health index, the value of which ranged from 2 to 8, was constructed from the sum of responses to the questions, smallest value indicating absence of health problem. The scale was reliable to measure health status with Cronbach alpha coefficient of 0.8. The constructed index was further classified into two categories: individuals with no health problem and those with at least some health problem. The difference in health condition between the employed and unemployed individuals was minimal. Nearly 46 per cent of unemployed individuals had some health problem compared to 42 per cent of the employed ones. The association between health status and labour force status was also statistically insignificant ($\chi^2 = 0.48$, $p=0.49$).

When unemployed individuals suffer from psychological problem, it is more likely that they would engage in harmful habits that could adversely affect their health condition. In this survey, respondents were requested whether they had habits of smoking, chewing *chat*, and drinking alcohol. While 93 per cent of employed individuals did not smoke at all, the figure dropped to 87 per cent for unemployed individuals. The percentage of unemployed individuals who smoked at least once a week was twice that of employed individuals with respective figures of 6.7 and 12.8, with statistically significant association between labour force status and the habit of smoking ($\chi^2 = 4.1$, $p=0.04$). However, there is only a slight difference between employed and unemployed individuals by habits of chewing *chat* and drinking alcohol.

5.5 Political Consequences

Unemployment is one of the factors that predict the political stability of a nation. With high rate of unemployment, unemployed individuals could think they are not benefiting from the existing economic performance and consequently develop a sense of doubt about what the various actors are doing to address the problem. Political apathy is among the theoretical views that explain the political consequences of labour market insecurity (Polavieja 1999). According to this view, labour market insecurity increases dissatisfaction with the existing political system. Unemployed individuals view the system as insensitive to or incapable of meeting their needs. This is manifested through limited participation in various political affairs. In line with this theoretical argument, various questions had been set to assess the political attitude of both employed and unemployed persons in the study areas. These questions emphasize the attitude of the respondents towards the government's efforts to curb unemployment and participation of unemployed persons in different monitoring and decision-making activities. As expected, unemployed persons had a negative attitude towards the political system. Although most of them agree that there are adequate policies and strategies aimed at addressing unemployment, they

had doubt about their proper implementation. About two-thirds of the unemployed individuals indicated a strong reservation regarding the adequacy of financial assistance given to unemployed persons; arrangement of place of work and apprenticeship; and proper implementation of policies and strategies meant to address unemployment. More than half of the unemployed respondents did not also agree with the idea that unemployed persons actively involve in the preparation of plans and programs, monitoring and evaluation, and in other decision-making activities.

The difference in political attitude was further examined using test of mean difference. Likert scale was utilized to construct a summary measure of the political attitude of survey respondents. The value of the scale ranged from 0 to 50, the lowest value showing negative political attitude. The scale is reliable to measure political attitude with Cronbach's alpha value of 0.87. The unemployed individuals had more negative political attitude than their employed counterparts ($p < 0.001$). The difference in political attitude between unemployed persons varies by background characteristics. Unemployed persons in Addis Ababa had more negative political attitude than residents in Munessa *wereda*. Older age unemployed persons (above 44) were more likely to have positive political attitude ($p < 0.05$) than those at a younger age (15-29). Bay and Blekesaune (2002) also noted that unemployed youth showed less confidence in politics. Compared to unemployed individuals with primary level education, those with secondary and tertiary education had more positive political attitude ($p < 0.05$). Unemployed individuals whose fathers had secondary education or more had negative political attitude than those whose fathers had no education ($p < 0.05$). Unemployed persons whose parents are poor had positive political attitude than those from economically better-off families ($p < 0.05$). But the mechanisms through which unemployment leads to negative political attitude requires further investigation.

5.6 Environmental Consequences

The financial strain associated with unemployment does have a strong repercussion on environmental conditions. In urban areas, this is mostly related to housing situations and access to water and sewerage. There was significant association between labour force status and these variables. More than half of the employed respondents lived in their own compound or condominium houses. Unemployed individuals constituted a substantial share of those who lived in houses rented from individuals. Most of them were not satisfied with their housing conditions. Owing to financial constraints, such individuals might be forced to look for houses with relatively small cost, which are more often found either in slums or in the peripheral areas with poor infrastructure. The dissatisfaction with such unfavourable living conditions contributes to psychological strain.

There was variation in access to potable water and sewerage service by labour force status. While more than half of those individuals who had access to potable water were employed, the unemployed constituted close to three-fourth of those who did not have access to clean water. Nearly half (49 per cent) of those who had no access to potable water stated that they could not afford the initial cost of getting the water pipeline. Moreover, one-fifth of the respondents said they live in areas where the service is not available. It indicates that financial constraint and living conditions have contributed to limited access to potable water. Similarly, unemployed persons comprised close to two-thirds of individuals with no access to sewerage service.

Individuals who lacked access to sewerage service were requested to indicate the place of waste disposal. More than half (53 per cent) of them dumped outside the compound and 13 per cent of them dumped on the street. It is more likely that the absence of the service and such unsafe disposal affect the environmental sanitation of a locality, which, in turn, adversely affects the health condition of the family and the community. Although a substantial percentage of both employed and unemployed persons used their own or a common latrine, it is worth noting that more than three-fourth of those who disposed human wastes in the field were unemployed. With regard to source of energy for cooking, about 80 per cent of users of firewood were unemployed whereas among the users of electric stove, only 14 per cent were unemployed. Although this analysis does not allow establishing causal relationship between unemployment and housing conditions and access to social services, it is possible to argue that unemployed individuals are affected the most by such social problems.

6. Coping Strategies

Unemployed individuals are not always successful in getting employment during anticipated time nor are they passively victimized by the adverse consequences of unemployment. Irrespective of the number of choices they would have and the differing level of effectiveness of the choices, they utilize a broad range of strategies to minimize the adverse effects and maintain equilibrium in various aspects of their lives. This includes risk management and risk coping strategies (Alderman and Paxson 1994). The former refers to *ex ante* mechanisms used to reduce the likely future effect of certain anticipated risks through income smoothing. Risk coping strategies are *ex post* mechanisms that deal with consumption smoothing through precautionary and informal group-based risk sharing (Dercon 2002). These strategies include reducing food expenditure, reallocation of future resources to today's consumption, receipt of remittance, and other informal arrangements (Townsend 1995; Glewwe and Hall 1998; Dercon 2002).

Reducing consumption - This strategy, which was used by most of the unemployed individuals, includes skipping meals, eating less preferred or expensive food, and reducing the size of food consumed. In this study, more than half of the unemployed individuals reported to have used skipping meals to cope with financial constraints associated with unemployment. Skipping meals as a strategy is commonly used when there is no income to buy consumption goods (Box 2). So, it shows a severe level of economic problem. When unemployed individuals have financial problem and securing income is impossible, they often resort to eating only once or twice a day. Eating less preferred or less expensive food as a strategy is less bad than the previous one as individuals consume at least something instead of going the whole day and night or part of the day without eating anything. This strategy was reported to be used by about 38 per cent of the respondents. Nearly 37 per cent of the unemployed respondents reduced the size of food consumed to cope with unemployment.

Box 2

Skipping meals is among the coping strategies used by unemployed persons

Ato Tadesse Yimam, 53, was born in the rural area of Munessa *wereda*. He is the only son of his father who died when he was a child. His mother was married to another person. Then, he migrated to Kerssa town as his stepfather denied him farmland. He got married and has one son who is currently married. But his wife died 15 years ago. Ato Tadesse had been working as a laborer loading and unloading goods, for which he used to earn about 100 birr a week. However, he stopped working due to health problems. He was sick for four years and spent the 7,000 birr he had saved previously. After recovery, he couldn't return to his previous job due to physical weakness as a result of the illness. So, he tried to rent a farmland. But, the price was very expensive for him. Currently, he does not have a regular job. Whenever available, he irons clothes from which he earns about 20 birr on market days. According to him, the income he occasionally earns is not adequate due to the rising cost of living. When he was asked how he copes with lack of income and its inadequacy, he said he often skips meals. To put it in his words: "Surprisingly, people eat breakfast; I do not know breakfast; I do not know lunch; I eat only dinner. There are days when I go to sleep without eating anything. Though I am hungry, I sleep by drinking water. I may not even eat food when I have some saved money in my pocket. I know it is hurting. But I have to live by saving some amount of money to improve my life."

Social support - Social support is the instrumental, informational, or emotional assistances performed for individuals by family, friends, and co-workers (Thoits 1995). In the absence of formal social security systems, social institutions play a crucial role to protect individuals from various effects of unemployment. Social support is one of the common methods of risk pooling in Ethiopia. It takes several forms, including support by parents, brothers or sisters, relatives, and friends in the order of utilization by survey respondents. The social institutions in Ethiopia are strongly rooted in the tradition that children are supported by parents even at older ages when they are not employed. Given that most of the survey respondents were young jobseekers, support from parents as a coping strategy was indicated by about 39 per cent of the unemployed respondents. Furthermore, employed brothers and sisters are socially responsible to support the unemployed ones until they become self-reliant. In this regard, nearly one-fourth of unemployed individuals depended on the support of their brothers and sisters. When economic insecurity has become too critical to be managed by family members, individuals look for support from relatives. In this study, about one-fifth of the unemployed respondents indicated that they got support from their relatives. Besides, friends and neighbours support one another individually or through group-based mutual support mechanisms. Children also support their parents when household heads or parents suffer from unemployment. About 5 per cent of the survey respondents depended on their children to cope with unemployment.

Self-employment - Self-employment serves not only to overcome income shocks that emanate from unemployment but also to open new opportunities that can improve income, increase capital assets, and improve the standard of living of individuals (Henley 2005). In this study, among the total labour force, only one in five individuals in the labour force was self-employed, showing the tendency to prefer paid employment to self-employment. Nevertheless, the chance of getting paid employment is quite limited due to limited capacities of institutions offering such employment opportunities. Hence, self-employment is another alternative to cope with unemployment (Box 4). Binary logistic regression model was fitted to identify factors that significantly predict the likelihood of being engaged in self-employment activities. Compared to youth, those in the middle age (30-44) were 1.3 times more likely to be self-employed ($p < 0.05$). This may be because mature workers are more successful in running private business due to their accumulated experiences. Financial constraints and aspiration for wage employment also hinder the youth from entering into self-employment. Individuals with secondary education were 32 per cent more likely to be self-employed than respondents with tertiary education ($p < 0.1$). Since those with secondary education do not have higher levels of professional training, the chances of getting wage employment is less due to which their involvement in self-employment activities is relatively higher. Never married persons were 73 per cent less likely to be self-employed than currently married persons. As has already been discussed

before, currently married persons have higher financial responsibilities that force them to take-up any available job including self-employment. Never married persons, however, are more often opted to search for wage employment. Since they couldn't afford to remain unemployed for unduly longer period of time to search for wage employment, migrants were 27 per cent more likely to be self-employed than non-migrants. For migrants, self-employment is a channel to paid employment and a mechanism to circumvent and escape unemployment (Constant and Zimmermann 2004). Individuals from very poor and poor parents were 94 per cent and 64 per cent, respectively, less likely to be self-employed than those from economically better-off families ($p < 0.001$). This is strongly related to lack of starting capital and difficulty of getting suitable place of work (Henley 2005). Assuming that people from such families have low human capital, they may not have appropriate skill of identifying, establishing, and running private businesses. They are also less likely to take business risks. Individuals in Munessa *wereda* were 52 per cent less likely to be self-employed than those in Addis Ababa ($p < 0.05$), which is partly related to the relatively lower level of socio-economic development in small towns and the consequent limited business options in such areas.

Box 3

Combining informal self-employment undertakings in towns and generating income from farming in rural *kebeles* as a coping strategy against urban unemployment

Adde Beletu Wayessa, 50, heads a family of five other members. She is a widow who migrated to Ego town from a neighbouring rural *kebele* about 30 years ago. None of the able-bodied household member was employed. She tells about the livelihood of the household as follows: 'We win our daily bread by engaging in self-employed ventures. I make and sell local drinks (*tella* and *areke*), and one of my daughters is involved in petty trading. My eldest daughter who divorced and came back home with her son is engaged in local hair dressing (making hair plaits) and making household utensils specifically made of grasses (*sifet*)'. Apart from these urban-based informal activities, the livelihood of the family was based on income generated from farming'. *Adde Beletu* is still a member of the rural *kebele* administration where she holds land. The land is share-cropped out on half share basis and the food demand of the household for about six months of a year is met from those crops. Given market-related constraints, generating sufficient income from the informal sectors has been a big challenge for the household. As narrated by *Adde Beletu*, 'local drink selling is not something that goes on a regular basis. On market days (Thursdays and Sundays) the number of customers is relatively larger, and on off days it is a matter of chance because it depends on the number and type of people visiting the town. Whenever there are meetings or events like funerals many people visit our town and there is a good demand for both *tella* and *areke*. This means there could be days when you do not sell a single cup of *areke* or a glass of *tella*. On the other hand, the price for inputs of making local drinks is escalating'.

Other strategies - In addition to the mostly used strategies mentioned above, unemployed individuals utilize other strategies such as seasonal migration, casual work, remittance, charitable support, and previous saving. When there is no viable option at the place of residence to get employment or use alternative strategies to cope with unemployment, seasonal migration could be used as an option. Among the unemployed individuals, about one-in-ten reported to have migrated seasonally. Casual labour is another alternative to earn income. Although such works are not always available and their remuneration is very small, they safeguard unemployed individuals and their families from income shocks associated with unemployment. Remittance was used as a strategy by about 5 per cent of unemployed individuals. Negligible percentage of unemployed respondents used self-insurance (i.e. previous saving) to cope with unemployment. This may be because most of them were first-time jobseekers who did not have previous saving or were from economically poor families who couldn't afford saving. As indicated in some of the case studies (Box 3), the ever-increasing price of commodities provided limited options to save in cash or in kind for self-insurance.

7. Conclusions and Policy Implications

This paper aimed at exploring the causes and consequences of unemployment, and examining people's responses to the problem in Addis Ababa City, and Kerssa and Ego towns of Munessa *wereda*. The study was based on mixed case study research that generated first-hand data through questionnaire survey, key informant interviews, focus group discussions, interview with case study individuals, and personal observations. Review of policy documents, books and other published and unpublished materials was also made. The statistical tests used for the analysis of quantitative data were t-test, ANOVA, Mann Whitney U test, Kruskal Wallis test, *post hoc* test of comparison, and binary logistic regression model. Qualitative data were transcribed and used in the paper to supplement quantitative findings. The main conclusions and policy implications drawn from the findings of the research are presented below.

7.1 Conclusions

It was found out that employed individuals were of two types: those who worked in paid employment (55.6 per cent) and those who worked in self-created ventures (44.4 per cent). More than half of those who were self-employed engaged in activities that were informal in nature. The employed who work for government and NGOs have more protection and are entitled to various employment-related benefits. The self-employed were of old age, women, without education, and widowed or divorced. Their working conditions are not conducive; their incomes are unstable; and therefore they are unable to withstand various shocks. These individuals could easily fall into the poverty trap than those who are paid employees.

Unemployed individuals accounted for 55.9 per cent of the labour force with statistically significant variation between the two study sites: 61 per cent for Munessa and 51 per cent in Addis Ababa. Contrary to the findings from other studies that indicate the existence of higher unemployment rates in big cities than in small towns. Higher unemployment in Munessa could be explained by absence of big investments to absorb more job seekers, the issue which was also emphasized in the key informant interviews and individual case studies. Unemployment rate is negatively correlated with education since those with no or lower levels of education were unemployed. Moreover, unemployment is higher among the youth, widowed or divorced, non-migrants, and members of poor households. Unemployed persons who are aggressively searching for jobs often use informal methods of job search and are of the opinion that recruitment of individuals takes place through other channels such as kinship and friendship rather than merit. Most unemployed people are first-time job seekers and they became unemployed involuntarily. Being a first-time job seeker in the labour market is a very serious challenge for the youth. This is because previous work experience is the common requirement in almost every job opportunity.

The research findings indicated that unemployment considerably affected the economic, psychological, and environmental wellbeing of individuals. Those with no education, members of poor family and those who remained unemployed for a long period of time were hard hit by poor economic wellbeing. Unemployment affected more the wellbeing of unemployed persons in Munessa than their counterparts in Addis Ababa. Most of the unemployed persons were unhappy, less self-confident, depressed, more anxious, and felt that they had less ability to cope with difficulties. Those with no education, the currently married, the migrants, those with no previous work experience, those with longer duration of unemployment, and the members of poor families were generally those whose psychological make-up is most affected by unemployment.

Unemployment has an adverse impact on the political attitude and participation of unemployed individuals. It is found out that unemployed individuals have developed negative attitudes towards political activities. The unemployed youth, those who have tertiary level education, individuals belonging to better-off families, those whose parents' educational level is secondary and above are groups with more negative attitudes towards politics. The reasons are quite obvious: these individuals have better awareness about what is going on in the arena of politics in their surroundings. For the same reason, unemployed individuals in Addis Ababa are more resistant to political activities than the inhabitants in Munessa.

The environmental effects of unemployment were assessed through housing conditions and source of energy that the households of unemployed persons relied on. Two-thirds of unemployed individuals were not satisfied with their housing and related amenities. About 79 per cent of the individuals with no access to latrine were unemployed. Thus, they resorted the open field as toilets. Unemployed individuals rely mainly on traditional energy sources such as firewood, leaves, and animal dung. In contrast, the employed utilized electricity, kerosene, and charcoal as a source of energy. Lack of access to sanitary amenities such as proper toilets and modern source of energy among unemployed adversely affects the living environment of the community in general and the health condition of individuals in particular.

The unemployed people in the study area cope with the problem of poor wellbeing and the subsequent food shortage through skipping meals, reducing size of meals, and relying on less preferred or expensive food. These coping mechanisms have adverse effect on the health and productivity of the individuals. Thus, frequent practices of those coping mechanisms exacerbate impoverishments. Some unemployed individuals attempt to diversify sources of income by working in informal urban activities and generating income from farming. This is the advantage that the people in small towns take in overcoming unemployment and underemployment. Relying on social support particularly material support

from parents, brothers or sisters, relatives, and friends are the other coping mechanisms. Most unemployed youth depend on their parents for housing, food, and clothing. The economic impacts of unemployment on parents and the psychological implication for dependent unemployed youth are quite considerable.

7.2 Policy Implications

- ***Social protection schemes:*** Individuals with old age, females, those with no education, and the widowed and divorced often work in informal self-created ventures that are vulnerable to various risks. Hence, they deserve special attention of the government and other development actors in establishing social protection schemes.
- ***Pro-poor policy:*** The poor suffer most from unemployment, which calls for further concerted efforts on poverty reduction and the creation of pro-poor employment opportunities.
- ***Formal and informal education for adults:*** The relationship between lower education and unemployment and its consequence is very strong. Thus, expanding both formal and informal education contributes a lot in reducing unemployment. Expanding adult education that integrates the enhancement of knowledge and skill can equip people and make them ready for effective engagement in paid employment or self-employment.
- ***Skill refreshment training:*** Longer duration of unemployment creates skill loss among the new graduates. This appears to be one of the causes of resource wastage on one hand, and increases inefficiency among employers on the other. Hence, much care should be taken in terms of providing skill refreshment trainings.
- ***Balanced spatial distribution of investment:*** The adverse economic, psychological, and environmental consequences of unemployment are more severe in Munessa than in Addis Ababa. This clearly implies the high concentration of investment that resulted in a big development gap. Therefore, future investment in the country should strive to narrow down development gaps through equitable distribution of socio-economic development.
- ***Embracing the first-time job seekers:*** Setting previous work experience as a criterion for recruiting employees is very discouraging for the first-time job seekers. The civil service law should seriously look at this matter. It would also be important to establish and strengthen employment exchange services to make labour market information widely accessible.
- ***Counselling service for unemployed people:*** This research documented the cases of unemployed individuals who became desperate with their lives and psychologically disturbed. This calls for

mechanisms of putting in place institutions that play the role of counselling unemployed people at different levels.

- ***Addressing unemployment enhances political participation and stability:*** Minimizing unemployment and its adverse consequences can contribute to political stability, and also enhances people's participation in political activities. This would be an important premise for a country like Ethiopia where different groups compete for political power.
- ***Respect for sorts of occupation reduces dependency on parents and other relatives:*** Over-dependence of the unemployed youth on parents is an issue that should be taken care of by the dependent and other parties. Sometimes it becomes very important to engage in any sort of desirable livelihood activities irrespective of educational background. Working even in low pay jobs and trying to create own employment should be taken as other options instead of becoming dependent over a longer period. This requires awareness raising activities.

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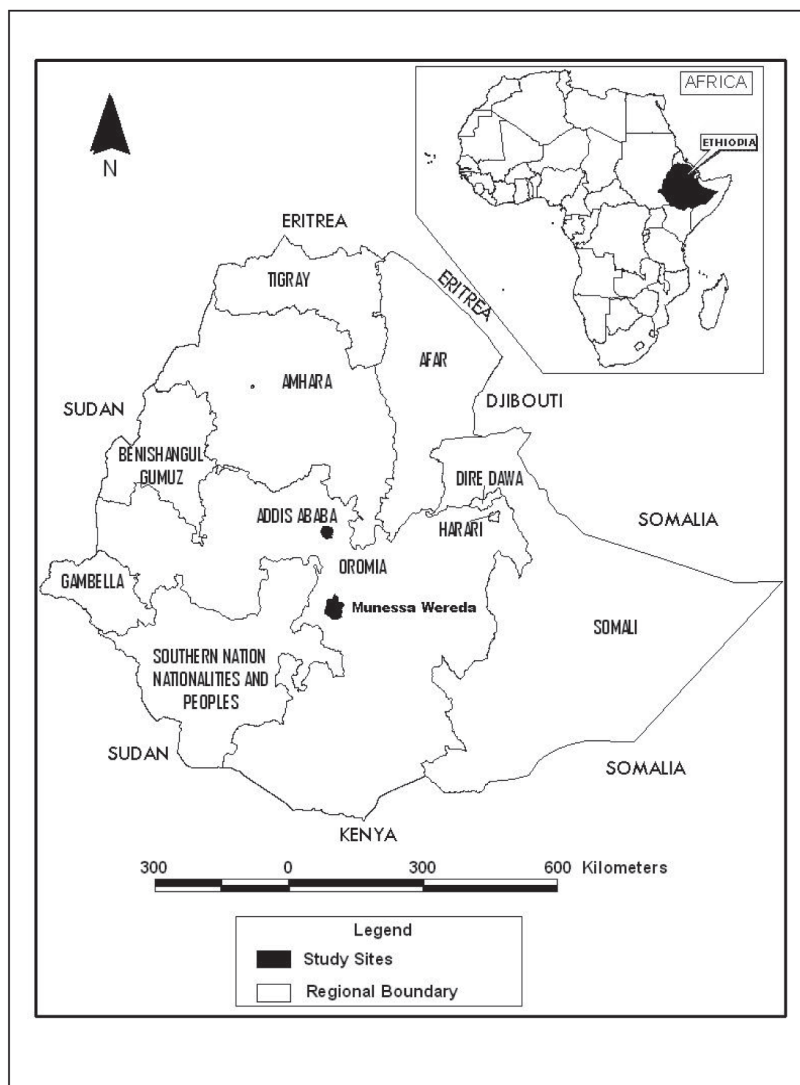
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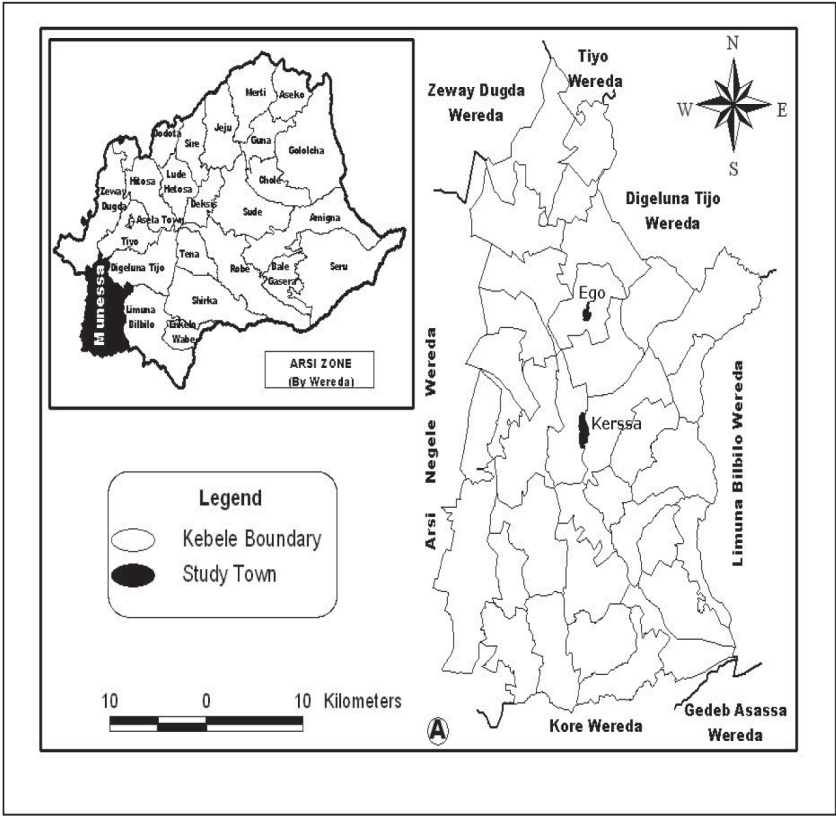
Annex 1

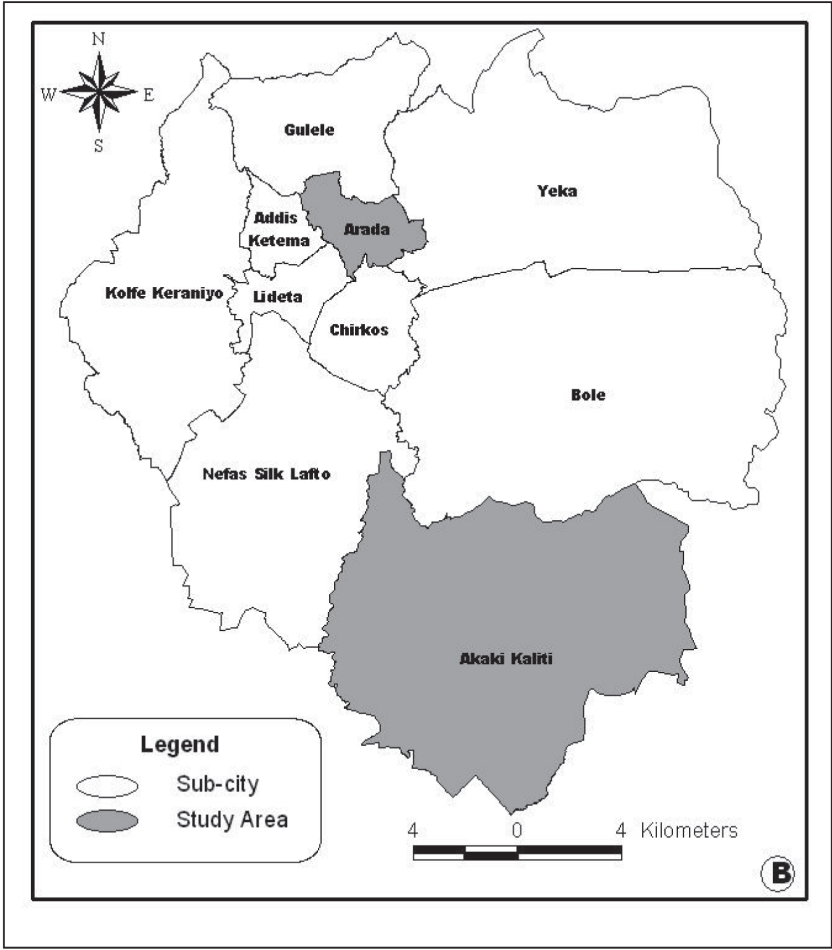
Relative Locations of Addis Ababa and Munessa



Annex 2

Location of Munessa Wereda in Arsi Zone (A), and Arada and Akaki Kaliti Sub-Cities in Addis Ababa (B)





CHAPTER 12

Employed, Yet Poor: Experiences from Zambia

*Miniva Chibuye**

1. Setting the Context: Poverty and Employment

Why are some workers in paid employment unable to meet basic needs for themselves and their families? After defining the “working poor” to be those people who are (i) employed, and (ii) living in households that fall below the poverty line, Kapsos (2004) estimated the size of the global working poor population, using the dollar-a-day standard, to be 535 million people, or 18.8 per cent of world employment. In a later study, the United Nations estimated globally that in 2006, 1.4 billion of those working did not earn enough to lift themselves and their families above the two-dollar-a day poverty line (UN 2007:5).

This paradox of being in employment yet experiencing poverty is surprising. One explanation could be that decent and secure employment, which provides a reliable source of income and thus contributes to economic security, is very scarce. In Zambia for example, of the 6.7 million (slightly over half of Zambia’s population) who are of working age (fifteen years and above), over 90 per cent are considered to be employed. However, most of these are either self-employed or even unpaid family workers. As a result, only 11 per cent are in formal employment (GRZ 2011b: viii & 19).

Strictly speaking, therefore, decent work would mostly be assured for the 11 per cent in formal employment as it is easier for the Government to enforce protective labour laws. According to the ILO (2012), informal employment is characterised by insecurity, irregular wages, absence of social security, and lack of social dialogue. It is therefore not surprising that overall poverty levels in Zambia were as high as 60.5 per cent in 2010 (GRZ 2011a).

Fox and Gaal (2008: 2) suggest that most poor households derive their income from selling their labour either to themselves or to others; therefore, creating opportunities for people to earn more money faster is the key factor in increasing the impact of economic growth on poverty. Two implications can be deduced from the above sentence: a) that economic growth is a prerequisite to employment creation, and b) that employment

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creation is the conduit to poverty reduction. While Fox and Gaal's argument rings true, this paper extends the argument to include improved conditions of service (such as higher income) rather than just creating employment as a prerequisite to reducing poverty in a sustained manner.

This research comes at a time when Zambia is experiencing strong economic growth - an average of 6.4 per cent economic growth between 2006 and 2010. Furthermore, overall inflation declined from 35.2 per cent at the end of 1996 to 7.9 per cent at the end of 2010 (GRZ 2011a:1). Despite the progress in the macro-economic indicators, socio-economic fundamentals such as poverty and employment are not responding positively to this growth. As employment is the nexus between economic growth and poverty, it is important for policy makers to know the experiences of those living in poverty despite their paid employment status. More importantly, the research findings can inform government policy and strategies, which may help attain the MDG Goal No. One on poverty and hunger by 2015 and further plan for an improved future for workers after MDGs.

1.1. Research Aims and Scope

The overall aim of the research is to explore the experience of some paid Zambian employees and understand the influence of the working conditions on the quality of life for themselves and their families. The broad question that the research addresses is: Why are some paid employees living in poverty?

More specifically, the following questions are asked: (i) What is the quality of work in selected sectors of the Zambian economy, in particular the level of monetary compensation? (ii) What is the general profile of workers who find it challenging to meet basic needs such as basic food and non-food essentials despite being employed? (iii) What are the coping mechanisms for workers earning less than needed to meet essential household needs?

By default, this research only focuses on paid employees as the intention is to profile the working poor in the following sectors: agriculture; wholesale and trade; and manufacturing. The three industries were selected based on results from the 2008 Labour Force Survey (LFS). The LFS found that, of the ten defined industries in Zambia, the agriculture sector and wholesale and trade sector have the highest proportion of employed persons at 71.3 per cent and 9.2 per cent, respectively (GRZ 2011c:36). Although manufacturing is only the fourth largest industry with only 3.5 per cent share, it is included in this research because it is often seen as the most dynamic and most promising sector of developing economies, capable of structurally transforming them and achieving broad-based growth and development.

While the results of this research cannot be generalised to the entire country, it is very relevant for policy makers as it adds to, among others,

the knowledge on the extent of enforcement of labour laws and the workers' perceptions on the impact of the conditions of service on their wellbeing.

The research was chiefly conducted in Lusaka, the capital city of Zambia, and Chipata, the provincial capital of the Eastern Province of Zambia. Information was also collected from surrounding farming areas in greater Lusaka as well as the surrounding areas of Chipata district, specifically the Mambwe district. Lusaka has the biggest share of non-agriculture workers while the Eastern Province has the biggest share of agriculture workers. According to the 2008 LFS, Copperbelt and Lusaka provinces were among the provinces with the highest proportion of employed persons in the manufacturing industry. The Lusaka Province alone registered 27.8 per cent while the Eastern Province registered less than one-tenth in all the industries except in agriculture, forestry and fishing industry where it recorded 18.2 per cent, which was higher than all the other provinces (GRZ 2011b:39).

For this reason, the majority of the respondents in the agriculture sector were interviewed in Chipata while Lusaka had more respondents in the categories of manufacturing and wholesale and trade.

1.2 Methodology

Information for this research was gathered through various sources. First, a comprehensive review of relevant key government and academic documents was conducted. Second, consultations were made with various actors from international agencies, academia, civil society organisations, and government. Third, primary data was collected using mainly qualitative methods. However, given the nature of the topic, some quantitative questions on, for example, income and other conditions of employment were also asked.

Therefore, a mixed-method approach, which integrated quantitative and qualitative approaches, was used. Carvalho and White (1997:v) suggest that one of the key ways to combine the best of qualitative and quantitative approaches is by integrating the two methodologies.

Under the qualitative approach, the research utilised focus group discussions and semi-structured interviews while for the quantitative approach, closed-ended questions were asked, particularly those relating to conditions of work, including wages. The closed-ended questions have been analysed quantitatively. A total of 192 employees were interviewed in both Lusaka and Chipata.

Three FGDs in Chipata and one in Lusaka were conducted. The FGDs were held with the workers at the work places and in one instance, one FGD was held at the workers' residence. On average, each group comprised seven participants. Authors such as Russell (2006:237) recommend a FGD of

seven or eight people; otherwise it is too small or else too large and difficult to manage. In general, purposive sampling was used to determine the respondents.

Regarding analysis, FGDs were analysed manually by sifting through the common and uncommon views of the respondents. For some questions in the semi-structured questionnaires, Excel and SPSS were used for simple descriptive analysis of the data. Furthermore, in some cases, information gathered from the workers was triangulated with that collected from managers.

2. Analytical Framework and Literature Review

2.1 Analytical Framework

The quality of employment, which is central when trying to understand its impact on poverty, is very difficult to assess. This is true not only for Zambia but also internationally. For example, the International Labour Organisation (ILO) uses decent work as a multi-dimensional concept, which includes workers' rights, proper representation and voice of employees, safe working conditions, and adequate income. Such broad concepts are inherently difficult to quantify.

This article will mainly use the decent work concept for its analytical framework and will also loosely draw upon the typology put forward by Osmani (2002) on those who suffer from low returns to labour despite working full-time and at high intensity. Osmani classified them into three categories depending on the causes of low returns:

- those who work for very low wages because they have to compete with potential entrants (comprising the unemployed and the underemployed, and constituting a pool of surplus labour) who have very low reservation wages - the surplus labour syndrome;
- those who work with poor skills, or poor technology, or inadequate complementary factors - the low productivity syndrome; and
- those who suffer from adverse terms of trade, either because of low product prices, or high input cost (including high cost of credit), or both - the adverse terms of trade syndrome.

Due to the focus of the research, the surplus labour syndrome and the low productivity syndrome feature more prominently in the analysis of the collected data.

Furthermore, the analysis would be incomplete without anchoring the findings on ILO's agenda on decent work. While the decent work agenda, which stresses the centrality of work to people's well-being, has only gained significant momentum in the recent past, the importance of a decent wage in fighting poverty was officially recognised as early as the beginning

of the 20th century in the original constitution of the International Labour Organisation (ILO). The third principle in the constitution which was seen to be of special and urgent importance was “the payment to the employed of a wage adequate to maintain a reasonable standard of life as this is understood in their time and country” (ILO 1920:14).

The decent work agenda has four core objectives: creating jobs, guaranteeing rights at work, extending social protection, and promoting social dialogue (UN 2012a). While the issue of remuneration does not immediately stand out from these objectives, ILO further elaborates under the job creation objective that the agenda seeks, through the creation of productive employment, to better the lives of people who are either unemployed or whose remuneration from work is inadequate and to allow them and their families to escape from poverty (UN 2012b).

Therefore, aspects of the decent work agenda, such as incomes, are used in this paper to make the case concrete.

2.2 Literature Review

Employment, be it self-employment or otherwise, is an important source of income for the majority of the people. As suggested by Higgins (2009:2), labour is the most important asset supporting poor people’s wellbeing and survival. However, in this paper, the quality of labour will be used as an indicator for poor people’s wellbeing and not whether they have a job or not.

Undoubtedly, earnings are a central indicator of the quality of employment opportunities. Although people may have a variety of reasons for engaging in paid work, earning an income is one of the most important. Most households around the world earn a living through some form of employment. Therefore, income from employment is an important determinant of income-poverty status of households. Even if one were to take a broad view of poverty, one that emphasizes capabilities and individual freedoms instead of just income (Sen 1999), employment earnings remain an important means to the ultimate goal of reducing poverty. Therefore, this research assesses the effects of earnings on household living conditions based on employees’ perceptions.

It is important to note that the poor themselves understand the critical importance of employment well. Interviews conducted by Wrapson, Mewse and Stephen (2008) with people in difficult financial circumstances found that people often believe their financial status will change only if their circumstances change for the better, for example, through obtaining a decent job.

In relation to decent work, this paper posits that decent work for the person working should enhance both the development and wellbeing of the individual and that of his/her family. Barber (2008:137) argued that as

unfairness is a common complaint of people whose jobs are low paid and low in status, decent work is about dignity at work. Therefore, a society committed to the promotion of decent work would be one in which people are living in conditions of basic economic security and of equality of good opportunity to develop and apply their competencies safely and with a broadening range of economic, social and cultural rights (UN 2007:2).

This leads to the question: To what extent do economic policies of governments focus on creating employment and ensuring that employment being created will enhance human development and not further trap workers and their families into poverty? Heintz (2004:13) argued that an employment-intensive approach complements programmes aimed at meeting basic needs by improving the material resources low-income households have at their disposal. He further argued that generating decent work becomes a powerful instrument for achieving the common objective of human development.

The provision of decent jobs and employment in Zambia remains a major challenge. Part of the reason is that enforcement of labour laws is easier within a formalised setting. But, like many other developing countries, Zambia faces a major challenge of informalisation of the labour market. Weeks *et al.* (2007: 39) argue that the evidence in Zambia clearly points to an extremely high and perhaps growing proportion of employed people who lack employment rights and receive very low (often below-poverty level) wages.

Eighty-nine per cent of the labour force is informally employed (GRZ 2011b: viii & 19). The Government of Zambia defines the labour force as the sum of the number of persons aged 15 years and above who are employed, unemployed and available for work during the reference period.

The importance of formal employment in reducing poverty sustainably cannot be over-emphasised. During focus group discussions conducted in Zambia by the World Bank, when participants were asked for the typical profile of the non-poor, they identified those in stable formal wage employment and businessmen, such as owners of buses, large shops and bars (WB 2007:80).

One of the important aspects of ensuring decent work is through wage regulation. However, wage regulation is one of the most contentious areas of regulation and has historically been a major cause of labour unrests around the world. Economists such as Gramlich *et al.* (1976: 409) argue that the long-run distortions and 'disemployment' effects of minimum wages far outweigh any supposed short-run benefits.

Employment policy debate during the 1980s and the first half of the 1990s has been dominated by the assertion that job creation depended on a reduction in the real and relative level of pay, especially for low-skilled groups of workers (Pond 1997:167). Similarly, Philpott (1997:12)

suggested that the case for a deregulated labour market rests on the belief that regulation – in very broad terms, employment protection and minimum wage legislation, as well as adequate legal backing for trade unions – renders markets less flexible and less adaptable, thus driving up unemployment. Others argue that while such legislation preserves jobs, it also deters employers from hiring because of the costs of shedding labour.

However, the UN has been very influential in ensuring regulation of the minimum wage. In fact, one of the principal arguments for a national minimum wage is asserted in the UN Universal Declaration of Human Rights (Article 23 (3)): “Everyone who works has the right to just and favourable remuneration ensuring an existence worthy of human dignity”.

The Zambian Government in January 2011 increased the minimum wage to K767,100 (about US\$160) from approximately K500,000. This was inclusive of housing, lunch and transport allowances. However, the minimum wage is hardly ever enforced in the informal economy due to limited mandate and administrative capacity for the ministry in charge of labour to monitor and enforce these laws.

The need for minimum wages becomes more pronounced with changes in the cost of living. In the recent past, the rise in commodity prices, particularly food, has led to heightened discussions on wages globally. In relation to the cost of food, for instance, the World Bank (2011) report that despite dipping marginally in September 2011 by one per cent and settling at five per cent below its February peak, the food price index, which measures global prices, was still 19 per cent above its September 2010 levels and stayed close to 2008 levels. The Global Food Price Index weighs export prices of a variety of food commodities around the world in nominal US dollar prices.

Furthermore, as suggested by Klein and Rones (1989:5), determining the prevalence of low earnings among poor and non-poor workers involves defining exactly what is meant by low earnings, establishing a cut-off line, and then applying the cut-off to the available data on earnings.

Often in Zambia, however, the minimum wage is not determined according to realistic household needs and their corresponding costs. The cost of living in most towns in Zambia is very high. The results found by using the monthly data gathered by a Zambian faith-based organisation, the Jesuit Centre for Theological Reflection (*JCTR*) and its Basic Needs Basket (*BNB*), a tool that measures the cost of living in various towns across the country, show that the cost of living is much higher than the average earnings as depicted in the labour force survey. For instance, in September 2011, the average cost of basic food alone in Lusaka was K820,300 (US\$195) for an average household size of six. After adding the cost of essential non-foods such as decent housing, energy and water, the total cost

rose to about US\$607, way above what an average formal sector employee (including teachers) earns.

Another critical element for accessing better jobs is education. While there is tremendous progress, Africa's education deficit still looms large. For example, Fox and Gaal (2008) found that investors report skill gaps as a major obstacle to investment and expansion. The percentage of educated workers in Africa is lower than that in any other region in the world. Skills are consistently ranked among the top five constraints to manufacturing, alongside electricity, high tax rates, cost of finance, and corruption. The authors further indicate that, in Mozambique, 50 per cent of firms listed skills and education of workers as a large or severe problem; in Zambia, this number was 35.8 per cent. This indicates that supply factors do, indeed, impede investment and employment creation in Africa, especially in the manufacturing sector.

The UN (2007:89) report that real wages of unskilled workers have fallen relative to the wages and salaries of relatively educated and skilled workers. Employment challenges in Zambia have been exacerbated by general low levels of education to meet the required level of human capital, with few people having access to tertiary education. According to the Ministry of Science, Technology and Vocational Training (2008) cited in GRZ 2011b:2), only six per cent of the people leaving the school system have access to tertiary education. Arguably, this is not enough to build up the required level of human capital.

3. Results: Paid Employment and Poverty Profile in Zambia

3.1 General Description of Respondents

A total of 192 employees were interviewed in both Lusaka and Chipata. Of these, 79.7 per cent (153) were male and 20.3 per cent (39) female. About 56 per cent (107 of the 192) of the interviews were conducted in Lusaka Province and the rest were conducted in the Eastern Province, specifically Chipata and Mambwe districts.

The average age of the respondents was 31 years and the youngest was nineteen while the oldest was 62. According to the 2008 Labour Force Survey, Zambia's legal retirement age is 55 years. The Government found in the 2008 LFS that a significant proportion of persons aged 55 years or older are still engaged in economic activities. For instance, 62.3 per cent of persons aged 65 years or above were participating in economic activities (GRZ 2011b:27). It is, therefore, not surprising that those in the senior age cohort were also captured in this research.

The largest number of the respondents worked in wholesale and trade (30.7 per cent), followed by agriculture (27.1 per cent). Manufacturing was third at 26.6 per cent. However, a few companies were involved in more than one sector and at various levels of the value chain. As such, a few more

industrial categories have been added for the purposes of clearer analysis in this paper. Some companies were involved in three sectors, specifically agriculture, manufacturing, and trade, which represented 6.8 per cent of the total respondents; manufacturing and trade only represented 4.7 per cent of the respondents; and finally, companies involved in agriculture and manufacturing represented 4.2 per cent of the respondents.

3.2 Education Skills

Following the typical division of the level of education in Zambia - primary (grades 1 to 7), junior secondary (grades 8-9), senior secondary (grades 10-12) and college and university - the findings of this research are somewhat different from what was observed in the 2008 LFS. (Note that this paper has separated college from university to enable more specific analysis).

The 2008 LFS found that 43.3 per cent of the economically active population were those who had ever attained grades 1 to 7, followed by those who had ever attained grades 8 to 12 accounting for 37.3 per cent, and those who had not attended any formal education (14.9 per cent). Only 0.5 per cent of the economically active population reported that they had a university degree (GRZ 2011b:26).

In this research, however, the results indicate that more respondents (35.4 per cent) had ever attended senior secondary followed by those who had ever attended junior secondary (24 per cent). In third place is college attendance (20.3 per cent); next came primary education at 10.9 per cent followed by those with no formal education at 6.3 per cent, and finally those who had ever attended university education at 3.1 per cent.

The differences, however, are sensible in that this research was purposive as it specifically looked at paid workers, and the highest number of respondents (30.7 per cent) worked in wholesale and trade and a significant number of them (26.6 per cent) in the manufacturing sector. Both of these sectors require a higher form of numeracy and literacy. For instance, one of the companies involved in wholesale and trade revealed during the interview that the minimum qualification for employment was a Grade-12 certificate. In general, very few had ever attended tertiary institutions, and this shows that access to tertiary education is a major constraint to many.

When disaggregated by sector, of the respondents who indicated no formal education, 75 per cent were found in the agriculture sector while the rest (25 per cent) were in wholesale and trade.

Within the agriculture sector, the research found that the levels of contribution to the education pool decreases as the level of education increases. For example, of all those who indicated primary education as their highest level of education, 71.4 per cent were in the agriculture sector. At junior secondary, this percentage decreases to 26.1 per cent and then to 19.1 per cent at senior secondary. Only 7.7 per cent of those who had ever

attended college education were in the agriculture sector. None of those who indicated they had ever attended university were working in the agriculture sector.

In contrast, none of those with no formal education were working in the manufacturing sector. On the other hand, 43.6 per cent of those who indicated they had ever attended college education and 33.3 per cent of those who indicated they had ever attended university education were employed in the manufacturing sector. These numbers represent the highest attendance within college and university education.

For wholesale and trade, 34.8 per cent of the respondents who ever attended junior secondary, 38.2 per cent of those who went to senior secondary, 23.1 per cent of those who joined college, and 16.7 per cent those who had been to university were working in the sector.

In general, these results indicate that, among the three sectors surveyed, the manufacturing sector attracted employees with higher education, followed by the wholesale and trade sector. Agriculture had the highest representation of respondents with no formal education (75 per cent) or very little education. It is, therefore, not surprising that authors such as Heintz (2010) found that in most African economies, earnings are typically the lowest in the agriculture sector. The 2008 LFS also had similar findings as Heintz's. Furthermore, this would be a typical case of low productivity syndrome, as propounded by Osmani (2002), resulting from working with poor skills.

One foreign investor expressed concern over the level of education by saying, "... Education levels are too low. The Government needs to improve the quality of education. For instance, the printer in our company has broken down but we can't find the necessary skills to repair it. Therefore, there is need to improve practical skills and general education. It is wrong that able-bodied men and women just stay in the bush feeding cattle."

3.3 Decent Work

This paper will assess selected indicators, mainly income. Other indicators that will be discussed under this section include the length of contracts provided to employees to measure the security of tenure as well as the number of working hours. As acknowledged by the 2008 LFS, while the employment-to-population ratio gives an indication of the economy being able to generate jobs, it is not, by itself, sufficient for assessing the level of decent work or the level of decent work deficit. Rather, additional indicators such as hours of work, informal sector employment, underemployment, earnings, social justice and dialogue, and other working conditions should be considered (GRZ 2011b:7-8).

3.3.1 Length of Contract

The Industrial and Labour Relations (Amendment) Act defines "employee" as any person who has entered into, or works under, a contract of employment with an employer whether such contract is expressed or implied, oral or written, or serving a probationary period of employment. A casual employee in this Act is identified as an employee specifically engaged on a temporary basis for work of an intermittent or seasonal nature (GRZ 1997:7). The Employment Act on the other hand defines a casual employee as "any employee the terms of whose employment provide for his payment at the end of each day and who is engaged for a period of not more than six months" (GRZ 1997b).

Given the fluidity in the definition of employees, it is not surprising that the survey showed diversity in the type of contracts. Figure 1 shows that 13 per cent of the respondents did not have a signed contract while 25.5 per cent of them had contracts of less than 6 months. Together, these two categories formed the largest group (38.5 per cent). In strict terms, these respondents would be considered casual employees. This shows that many employees have insecure jobs.



Figure 1. Types of Contract Offered

SOURCE: Employed, Yet Poor Research, 2011

When analysed at sector level, the highest number of those with no signed contract were in the agriculture sector (72 per cent), followed by wholesale and trade (24 per cent), and the rest were in the combined category of agriculture and manufacturing (4 per cent). For those with contracts that were 6 months or less, the majority (31 per cent) were in the manufacturing sector, followed by wholesale and trade, which implies that these two sectors had the highest number of casual employees. Similarly, among those with contracts between 6 and 12 months, the manufacturing sector had the highest number (48 per cent), followed by wholesale and trade. Within the category of 12 to 24 months contracts, wholesale and trade

claimed 73 per cent of the total, followed by manufacturing. On the other hand, agriculture had the highest percentage of permanent employees (33 per cent), followed by wholesale and trade (29 per cent), and in third place was manufacturing at 25 per cent.

The research, however, revealed that, despite some employees being considered permanent employees, eligible for pension, most respondents expressed concern on how rare this occurrence was as hardly anyone had ever been given pension despite being eligible. One employee narrated the following in an interview:

In this company, when one works for 10 years and is 55 years old, they are entitled to a pension, and after that, they should be given a fresh contract. However, only one employee has been given pension. This was in 2006/07. The practice here is that contracts are terminated - usually on flimsy grounds - before the 10 year-period elapses. For instance, one contract was terminated because the employee acted as a witness, in a court of law, to a female employee who had been insulted by the manager. This unfair dismissal was reported to the Ministry of Labour and Social Security (MLSS) but nothing was done. Another employee was not given (his pension) because he was initially suspended for a week and had his years of work reduced to two years from ten years. He then went to the MLSS to seek legal recourse but nothing happened either.

One respondent, a casual worker in the agriculture sector and living in a household of seven, said the following: "I have been a casual (employee) for six years with the same company. I work continuously for five months and then take a one-month break. I would be happy to be made a permanent employee."

An employer in the agriculture sector provided his perspective about the issue of permanent as opposed to casual employees. "In our company, casual employees are those with no contract and are employed for a maximum of 3 months. We prefer employing casuals as it is costly both in terms of time and financial resources to employ permanent employees. Permanent employees are more likely to take an employer to court where processes are protracted."

Bodibe (2006) suggested that what was worrying in the case of Zambia was the extent to which employment that was previously permanent was increasingly being casualised. In the interviews with the Mine Workers Union of Zambia, the author found that out of the 29,868 persons employed in the copper mines in 2004, about 11,175 or 37 per cent were casual or contract employees.

Similarly, the Ministry of Labour and Social Security in Zambia identified the interpretation of the section on 'Casualisation' under the Employment Act (Chap. 268) as one which has been violated by employers. "This section has been abused resulting in wholesale casualisation of workers.

Some employers have purported to re-contract workers on six monthly basis thus contravening the section” (excerpt from the Industrial Relations Court: “Selected Part of the Law Which Are Mostly Violated” (GRZ).

Some Perspectives from Employees

“When we demand wage increment, our jobs are terminated since we have no contracts.”

(A casual employee and head of a household for a family of six)

“Sometime back, there were 105 permanent employees but there are only 16 employees now. When one gets ill or pregnant, they are made casual employees. Hence, the number of permanent employees keeps decreasing.”

(An employee in the agriculture sector)

As observed by the ILO (2012), casualisation of the labour force in Zambia has contributed to the deterioration of conditions of work. Increasingly, parts of the private sector are replacing secure long-term employment contracts with casual short-term ones that tend to seek cheaper labour.

3.3.2 Working Hours

The research revealed that 96.4 per cent of the respondents were working full-time and the rest were part-time employees. The 2008 LFS defines a part-time worker as one who worked less than 40 hours per week. It therefore considers any hours worked exceeding 40 hours would be excessive arguing that the number of hours worked have an impact on the health and well-being of workers as well as on levels of productivity and labour costs of establishments (GRZ 2011b).

However, there are inconsistencies over what is considered normal working hours as the Statutory Instrument on Minimum Wages states that the normal weekly hours of work for an employee shall not exceed forty-eight hours (GRZ 2011c). Article 1(a) of the ILO’s Forty-Hour Week Convention, on the other hand, states that “Each member of the International Labour Organisation which ratifies this Convention declares its approval of the principle of a forty-hour week applied in such a manner that the standard of living is not reduced in consequence” (ILO 1935). As at March 2012, Zambia had not yet ratified this convention.

For easier analysis, this paper has used the hours stipulated in the Statutory Instrument on Minimum Wages (2011), which is 48 hours. On the basis of this, the research found that the agreed working hours for 58.3 per cent of the respondents was more than 48 hours per week. On the other hand, 22.4 per cent reported that the agreed working hours were less than 48 hours per week (most of the respondents in this category had agreed on 40 working hours), and 19.3 per cent reported that they agreed to work 48 hours per

week. In all categories, a number of respondents indicated that they worked more hours than agreed. Again the disparity in working hours might be caused by the inconsistencies in the laws and policies governing the labour market. Furthermore, it is not clear what the consequences are for employers that do not abide by this. At best, the enforcement levels are very weak.

3.3.3 Minimum Wage

In order to appropriately analyse the wages and related regulations such as the minimum wage, the paper will first elaborate on how the occupations were categorised.

Note that while this document was awaiting publication, the new government, the Patriotic Front, which only came into power in September 2011 adjusted the minimum wage from K419,000 to K700,000 for employees in category one, i.e. general workers, cleaners, handy persons, etc. (GRZ 2012). However, the results presented in this document use the minimum wage prevailing at the time of the research (K419,000).

Occupation Categories

The LFS has a typical classification of occupation made up of the following: administrative and managerial; professional, technical and related; clerical and related; agriculture, forestry and fisheries; sales; production and related; service; and 'not stated'.

However, this categorisation would not be useful for this research. Instead, the occupations spelt out in the Statutory Instrument on Minimum Wages would be more relevant. Specifically, the categorisation that would fit best would be that for Shop Keepers, which has more categories. These categories are meant to be used as pay guides. Please note that Grade 9 from table 1 has been added for the purposes of analysis for this paper as the final category in the Statutory Instrument is Grade 8.

Findings of the research reveal that, among the respondents, 52.1 per cent indicated that their jobs were closely linked to Grade 1, mainly made up of general workers, followed by Grade 7 (12 per cent) (e.g., supervisors), which was closely trailed by Grade 5 (11.7 per cent) (e.g., those in sales). Grades 6 and 9 each had 6.3 per cent of the respondents, Grade 4 had 5.7 per cent, Grade 2 had 5.2 per cent, and finally Grade 3 had only 1 per cent.

Table 1. Occupation categories

Minimum wages and conditions of employment (Shop Workers)	Basic pay (per month)	Basic pay + Mandatory allowances
Grade 1 – Package/Good Bailer or Wrapper, Delivery Vehicle Assistant, General Worker (not elsewhere specified), Handyman, Office Orderly, Watchman	K419000	K767, 100
Grade 2 – Lift Operator; Driver of Motorcycle, Scooter or 3-Wheeler; Sales Assistant; Packer	K510, 000	K885, 400
Grade 3 – Assistant Bicycle Assembler, Assistant Dispatch Clerk, Driver (requiring ordinary driving license), Shelf Packer, Shoe Repairer, Assistant Tailor, Assistant Window Dresser	K600, 000	K1, 002,400
Grade 4 – Bicycle Assembler, Check-Out Operator, Driver (requiring heavy-duty or public- service license), Telephone Operator, Typist, Picture Framer	K650, 000	K1, 067,400
Grade 5 – Dispatch Clerk, Ledger Clerk, Costing Clerk, Order-man, Sales Person, Tailor, Upholster	K865, 000	K1, 346,900
Grade 6 – Audio Visual Equipment Repairer, Machine Operator, Watch Repairer	K810,000	K1, 275,400
Grade 7 – Credit Controller, Supervisor, Window Dresser, Shorthand Typist, Cashier	K950, 000	K1, 457,000
Grade 8 – e.g., Qualified Bookkeeper	K990, 000	K1, 509,000
Grade 9 – Manager or professional staff		

SOURCE: (GRZ 2011c; General Order and Shop Workers); Author's addition (Grade 9)

Table 1 also provides details of the minimum wages and the monetary conditions of employment for Shop Workers as provided in the Statutory Instrument No. 2 of 2011. In this document, 'Minimum Wage' means the lowest wage which may be paid to an employee (GRZ 2011c). The minimum wage (basic pay minus allowances) was revised in January 2011 to K419,000 (\$87) from K268,000 (\$56), a prevailing wage since 2006. Specifically, the minimum wage for the lowest paid employee (all those in Grade 1) is expressed as follows in the 2011 Minimum Wages and Conditions of Employment Act:

Basic Pay: K2,182 (US\$0.5) per hour or four hundred and nineteen thousand *kwacha* (K419,000) per month. The Government has further identified three mandatory allowances, which are: (i) Transport Allowance:

K102, 400 (US\$21) per month to be paid to an employee if the employee's residence is beyond 3 km radius of duty station; (ii) Lunch Allowance: K120, 000 (US\$25) per month or free nutritious lunch; and (iii) Housing Allowance: K127, 500 (US\$27) per month, calculated as 30 per cent of basic pay if housing is not provided.

Therefore, if all these allowances are taken into account, the total minimum wage is K767,100 (US\$160).

What is clear from table 1 on minimum wages is that there are various minimum wages dependent on the category an employee belongs to. However, the amount that is usually referred to as the minimum wage is the basic pay per month, in this case K419,000, and the allowances are usually ignored when discussing the topic. Others are just not aware of it. An alarmingly high percentage (67.2 per cent) of respondents in the research said they did not know what the minimum wage was. This finding resonates with what the others have found (see, for example: UN 2007:94) that most employees are not aware of the minimum wage. If employees are not aware, they are likely not to demand wages and allowances they are entitled to. However, the research found that all managers were fully aware of what the minimum wage was: "I think the minimum wage is too low but I cannot afford to pay the employees higher wages. Besides, I pay them low wages because they are not skilled. Of all employees, only about 25-30 per cent are literate," commented one employer.

One respondent mentioned that they were not aware of the minimum wage as the union that the company belonged to had not yet informed them of the new minimum wage. When asked about wage negotiation, the majority of employees mentioned that wage negotiations are never conducted. Instead, wages are adjusted at the discretion of management.

A Chinese investor argued that the minimum wage (K767,100) in Zambia was too high and a disincentive to investors. In comparison to the minimum wage in China, the investor had the following to say: "In China, the minimum wage is almost the same as in Zambia, yet real output of one worker in China is two times that of a Zambian as the Chinese are very productive and efficient. It is, therefore, much cheaper to employ Chinese workers." Therefore, given an opportunity, the investor would prefer to have Chinese workers. This is similar to the argument by Marsden (1997:178) that many unskilled workers who lack vocational skills and training risk being prized out of work by minimum wages, which set pay at too high a level for them to be attractive to employers. In this case, the risk is extended further to the rate of productivity in comparison to other labour entrants, in this case the Chinese.

In fact, Zambia does not seem to have a specific policy about limiting the number of foreign workers entering the country. In a parliamentary debate

on labour statistics held on Wednesday, 15 June 2011, Honourable Kambwili, a member of parliament, submitted the following:

Madam Speaker, this Government announced that the Mulyashi Project would create 520 jobs in construction. Indeed, they are constructing, today, but out of the 520 jobs, over 280 belong to the Chinese, who are doing work that Zambians are supposed to be doing. Without labour statistics, it is very difficult for this Government and anybody else to know that out of the 520 jobs that this Government was preaching about, 280 of them have gone to the Chinese.

In response to this, the then Minister of Labour and Social Security, Mr Liato, said the following:

... You said we promised to give people 400 jobs at Mulyashi Mine, for example, but today there are 200 plus Chinese. You have to understand the working culture of a Zambian. What a Chinese can do at the place of work in so many hours, Zambian employees may not be able to do... Madam Speaker, for example, you may not overwork a Zambian. Zambians are used to working within a particular number of hours in a day, in particular, eight hours. If you tell a Zambian to work up to midnight, he/she will tell you that you are overworking him/her and making him/her a slave. Is that clear? (Parliamentary Debate, 2011:3-5).

Employer's perspectives on demand for jobs:

"There's a significant demand for jobs. To some extent, it influences decision on wages. Therefore, I can employ people at lower wages as supply is high."

(An agriculture and manufacturing employer)

"Unemployment is very high; hence, the demand for jobs is higher. It can affect pay although we would rather keep skilled workers as it is expensive and time-consuming to train. However, with casuals, we can employ anyone during busy times."

(A manufacturing and trade employer)

"We get many applications for basic jobs. We get more applications from students and Grade 12 graduates."

(A wholesale and trade employer)

Using Osmani's typology, this would be a possible case of surplus labour syndrome where people work for very low wages because they have to compete with potential entrants (comprising the unemployed and the

underemployed, and constituting a pool of surplus labour) who have very low reservation wages.

Yet another employer had the following to say about the Government's adjustment of the minimum wage:

From the Government's perspective, it is good to increase the minimum standard of pay but it is difficult to run a business when the minimum wage is increased without warning and with immediate effect. The wage bill has a huge effect on the number of workers a company employs. While it is a good idea to increase the wage due to increased cost of living, we are wondering how scientific the calculation is, since the cost of living varies from one area to another. Furthermore, it is difficult to plan as a business when it is changed abruptly. For instance, the business planning (for this year) was done at the end of last year, yet the minimum wage was adjusted this year. This had a significant effect on running the business to an extent where seasonal workforce declined by about 25 per cent (from 125 to 95 employees).

The discussion above reveals various contentious points relating to regulating the labour market, specifically issues on enforcement of the minimum wage and the interaction with surplus labour.

3.3.4 Income

An analysis of the wages paid to employees revealed that the majority of the respondents (38.5 per cent) had a gross income ranging between K419,000 (basic minimum wage per month) and K767,100 (basic minimum pay with mandatory allowances). What is striking about the findings is that the gross income of a number of respondents (13 per cent) was exactly K419,000. In fact, it seems to be typical of some companies to pay exactly the basic minimum wage. For instance, one respondent revealed the following: "Before the Government adjusted the minimum wage, the basic pay was K268,000. I am now paid K419,000". K268,000 was the previous minimum wage (basic pay).

Figure 2 shows that a substantial percentage (11.5 per cent) of employees had a gross income below the minimum wage. An analysis of the composition of those who were paid below the minimum wage reveals that the majority (72.7 per cent) were in the general workers category within agriculture and wholesale and trade sectors and none were recorded in the manufacturing sector. This should not be very surprising considering the LFS finding that "60 per cent of paid workers in Zambia earned an average monthly income less than K400,000" (GRZ 2011b).

Among those who were paid above K767,100, the majority (47.9 per cent) were in the manufacturing sector, followed by wholesale and trade (28.2 per cent). Agriculture was last at 5.6 per cent. Other companies were

involved at various levels of the value chain: manufacturing and trade at 12.7 per cent and agriculture, manufacturing and trade at 5.6 per cent. It is important to note that the net incomes were lower than the gross incomes. This point will be taken up later in this section.

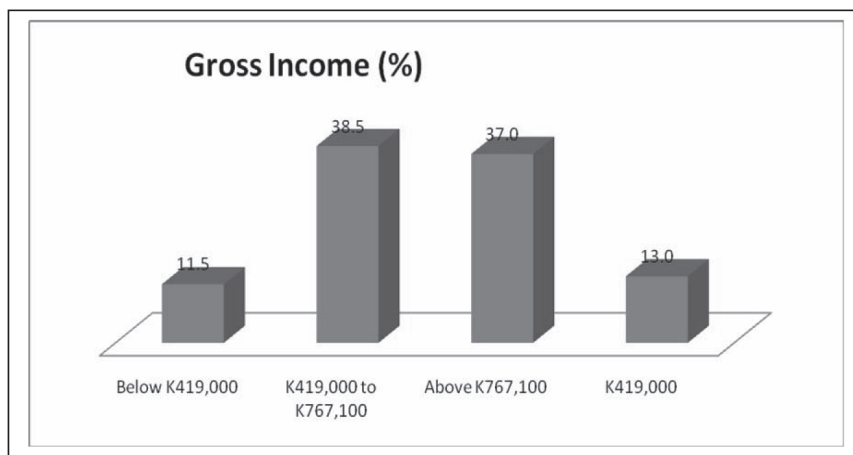


Figure 2. Employee's Gross Income

SOURCE: Employed, Yet Poor Research, 2011

At one company, an employer reported that the company did not follow the statutory minimum wage; rather, it followed what was agreed upon by the worker's union. This practice is in accordance with the law in view of the fact that Part 2(d) of the Minimum Wage Act excludes those in any occupation where wages and conditions of employment are regulated through the process of collective bargaining conducted under the Industrial and Labour Relations Act, or where employee-employer relationships are governed by specific employment contracts attested by a proper officer, such conditions shall not be less favourable than the provisions of this Order (GRZ 2011c).

According to the employer, in accordance with the law, the minimum wage agreed upon was higher than what the Government offers. He further expressed that the wages differ depending on whether one is a permanent employee or not. Additionally, supervisors are paid more.

We don't have our own structures for the minimum wage as we follow the union salary structures. We think it is better for us to follow the union salary structures. If we came up with our own structures, it can raise more challenges, for example, disputes between workers and employers. No matter how much we would pay them (employees), they will think it is not enough. It would cost us too much money and energy if we were taken to court.

(An employer from the agriculture sector)

However, an interview with the employees revealed that, in some instances, employees were paid lower wages than what is stipulated in the minimum wage statutory instrument. One employee in a focus group discussion revealed that he was paid K300,000 (US\$63) per month although he was a permanent employee. The employees blamed the union for the low wages, suggesting that the union was not properly representing their concerns.

We only see the union representatives when they come to collect the union fees that each individual pays. They are not helpful and there is no benefit to belonging to this union since salaries are low and, for some workers, the salaries are lower than the Government's minimum wage. We realise that the union negotiates on our behalf but we no longer want them as our representatives. The only problem is that we are not aware of any other union that would represent us.

(Perspectives from employees during a focus group discussion)

These sentiments were echoed by a labour officer who stated that there were instances when some unions negotiate wages that are lower than the minimum wage and, hence, workers do not have an incentive to belong to such a union. In order to resolve the issue, the officer at the Ministry of Labour suggested that unions need a body they can be accountable to.

However, as all collective agreements arrived at between the unions and the employers are sent to the Labour Commissioner for ratification, the Labour Commissioner in essence should not ratify a collective agreement that has negotiated wage awards that are below the statutory minimum wage. Thus, this raises an issue for strengthening the capacity of the labour office to perform the oversight role and scrutinise outcomes of wage negotiations.

In some companies, employees reported being victimised. For example, one employee expressed the following: "The company has no union and all those wanting to form a union have their contracts terminated without benefits." This goes against some of the ILO's core objectives in the decent work agenda of guaranteeing rights at work and promoting social dialogue for employees.

Among the respondents, the average gross income was about K965,966 (US\$201), slightly higher than the average monthly income estimated by the 2008 LFS, which is K824,415 (US\$172). The lowest paid among the respondents of this research earned K210,000 (US\$44) while the highest paid earned K8,000,000 (US\$1,667).

The experience of a number of employees in the research is that, after deductions, the net pay would be meagre. According to the evidence on one of the pay slips shared by a respondent, total pay (basic pay) was K487,552 (US\$102). After deducting the pension fund and union fees, the total pay was reduced marginally to K456,529 (\$95). However, the employee had a

further cut of K300,000 (US\$63) from his pay check as a result of getting an advance from the company. Therefore, the net pay of the employee for that particular month was K156,529 (US\$33).

For casual workers, the wages are even worse. One casual worker lamented that he gets K8,000 (US\$1.7) per day, which amounts to K248,000 (US\$52) if it is a 31-day month and if he works every day of the month. Usually, his monthly wage is much lower than that.

On a monthly basis, I make approximately K180,000 (US\$38). While we manage to have three meals a day, the meals are normally made up of *nshima* (main meal made from the staple crop, maize) or cassava with vegetables. I pay K50,000 per term for two children. One dependent is supposed to be in Grade 11 but I have no money to pay for school fees. In order for my household situation to improve, conditions of service should improve as the cost of living is very high.

Another casual worker stated the following: “The money is not adequate to even get us to the middle of the month. Most of the income is spent on paying back debts to the company. The debt is deducted from the pay. Last month, I ended up getting K197,000 (US\$41) after deductions.”

The issue of earnings calculated on the basis of days worked was a common complaint. A number of respondents expressed dissatisfaction at having their pay checks cut despite having a valid reason for missing work. One respondent narrated this incidence: “An employee recently died and when fellow workers went for the funeral on the burial day, they were considered absent; hence, they were not paid for that day.” Most respondents narrated incidences where they fell ill and were given a sick note from recognised hospitals but still had their wages deducted for all the days they were off sick. “Even when employees are granted sick leave and are in possession of a sick note from a recognised hospital, the company does not accept that. The ticket (daily wage) will not be included on the final pay slip,” said one respondent. Such complaints were very common within the agriculture sector.

Such practices certainly have a negative effect on the well-being of employees and also reduce community cohesion in times of need as employees fear wage cuts.

3.3.5 Allowances

As indicated earlier, the law states that housing, transport and lunch allowances should be provided. However, research results indicate that, while some companies were paying allowances, the majority were not.

○ Lunch Allowance

According to the Minimum Wages and Conditions of Employment Act, (Chap 276), a general worker, an employee doing the occupation attracting

the lowest pay under the minimum wage Act, is entitled to K120,000 per month or a free nutritious lunch (GRZ 2011c). However, the results from the interviews indicate that over half (53 per cent) did not have any lunch allowance benefits. This goes to indicate the challenge of enforcing minimum wages coupled with lack of awareness among employees of what is due to them.

However, since the details of what makes up a nutritious lunch are not clearly stipulated in the act, it is left to the interpretation of a company. In most instances, of those who were provided with lunch at work, various respondents in the agriculture sector complained about the quality of the food. Often, the respondents complained that the meals were made up of *nshima* and vegetables. For example, one respondent said, "We are given lunch mainly comprising *nshima* and vegetables, and once in a while, the company prepares meat."

At another company, employees complained that they usually have *nshima* with cabbage or else they change to another local vegetable called 'Rape'. At yet another company, an employee said the following: "We are offered lunch but the diet is very bad as we are usually given chicken intestines." Similar sentiments were expressed by an employee in another company: "We are only given lunch and sometimes for a period of 2-3 months, we eat cabbage every day. Meat is eaten only once in a long while. Usually, chicken or sheep offal (intestine) is what would amount to meat." In other companies, the food was more diversified. For example, one respondent provided the following weekly menu prepared for employees: lunch: Monday: *nshima* with *kapenta* (small sardine-like fish); Tuesday: *nshima* with beans; Wednesday: *nshima* with *kapenta*; Thursday: *nshima* with meat; Friday: *nshima* with beans; and Saturday: *nshima* with vegetables. At another company involved in manufacturing, an employee reported the following: "Lunch is provided in the form of *nshima* with beans and *kepena*. For two days in a month, we eat meat and chicken. We are also given a packet of *Tobwa* (a locally manufactured energy drink) from Monday to Friday."

○ *Housing Allowance*

The majority of the respondents indicated that housing allowance was not paid. However, a few respondents (7.3 per cent) were accommodated within the company premises. This figure comprised those living in workers' compounds at an agricultural undertaking.

Among those that were provided company accommodation, mixed feelings were expressed about the arrangement. While some were happy to be offered free accommodation, in most instances, the complaint was on inadequate space in the house and the lack of freedom to conduct other income earning activities to augment their regular income. For example,

one respondent mentioned that his family of ten lived in a two-roomed house.

In a focus group discussion, a respondent narrated the following in response to why some employees opted to find alternative accommodation when housing was provided within the company premises:

Most of us have decided not to stay within the company premises as we are usually asked to build our own houses and, even so, there is no security of tenure on the house. In case one gets fired, then they lose the house without compensation. There have been cases where some have lost their job and, with it, their company accommodation due to poor health. Furthermore, there is no adequate space for farming; hence, we opt to find accommodation in neighbouring villages where we can engage in some farming activities.

Additionally, 60.4 per cent of those who were not staying in company accommodation lived in high density, 24.5 per cent in medium density, and 7.8 per cent in low density areas. This signifies that many employees could not afford decent housing but rather lived in high density areas and villages that usually have very limited social services. This is not surprising considering the average wages most employees earn.

○ *Transport Allowance*

This was the scarcest of all allowances. All those that benefited from this allowance belonged to either manufacturing or wholesale and trade categories. Within the agriculture sector, most employees were eligible to this allowance but were not given used bicycles. Except in one wholesale and trade company where transport was provided to employees, almost all other respondents indicated that this allowance was not provided.

Generally, wages were determined by employers, and employees seemed not to have a say in how salaries were determined or to demand what was due to them. As indicated earlier, the majority were not aware of what the minimum wage was or any other related monthly allowances that accrued to them.

However, some companies have included allowances to employees in their pay slips. For example, an employee with a one-year contract and a net income of K635,000 shared the following specifics about the allowances: “My basic pay is K435,000, transport allowance is K102,000 and housing allowance K147,000. Hence, my net pay includes transport and housing allowances. Overtime is K3,000 per hour.”

3.3.6 Gross Income across Sectors

As depicted in table 3, the majority of the respondents (74.5 per cent) who earned a gross income of K419,000 or less were in the agriculture sector, followed by ‘wholesale and trade’. No employees in the companies

categorised under 'manufacturing' and 'manufacturing and trade' earned K419,000 or less. Instead, the two categories, 'manufacturing' and 'manufacturing and trade' had the highest percentage (37.5 each), earning more than K2,500,000. None of those in agriculture or the category of 'agriculture and manufacturing' earned more than K2,500,000.

These findings point towards the need to enhance employment in the manufacturing sector. Fundamentally, the findings imply that it is mainly employees working in a manufacturing-related industry who would afford to meet the required household needs for a decent life.

Table 3. Cross-tabulation between sector and gross income (K)

Sector	≤ 419,000	419,001- 767,100	767,101- 1,500,000	1,500,001- 2,500,000	≥ 2,500,001
Agriculture	74.5	17.8	6.4	5.9	0
Manufacturing	0	23.3	53.2	35.3	37.5
Wholesale and Trade	17	41.1	31.9	29.4	12.5
Manufacturing and Trade	0	0	2.1	29.4	37.5
Agriculture, Manufacturing and Trade	6.4	8.2	6.4	0	12.5
Agriculture & Manufacturing	2.1	9.6	0	0	0
Total	100	100	100	100	100

SOURCE: *Employed, Yet Poor Research, 2011*

3.4 Household Profiles and Coping Mechanisms of Selected Employees

Many households reported facing challenges in meeting the required basic household food and non-food needs. A permanent employee with a gross income of K419,000 shared the following experience:

My income is not adequate; hence, it is difficult to come up with a household budget. We normally have 3 meals at home. At breakfast, we consume 'samp' (cooked maize corn) mixed with pounded groundnuts, and sometimes, we mix the 'samp' with milk. For lunch and supper, we usually eat 'nshima' with vegetables, 'kapenta' or beans. For at least five out of seven days of the week, we eat 'nshima' with vegetables only.

The situation is harder for employees with dependents as narrated by one respondent:

My salary is not enough. I look after three orphans but I cannot afford to provide basic necessities to them. Since my net pay is K240,000, I normally get an advance from the company I work for and I also usually get food stuff from the company shop and pay at the end of the month. As a result of this, sometimes my net monthly income is just about K100,000. I am lucky that I don't rent a house; otherwise, it would have been even worse.

This finding is similar to Klein and Rones' (1989) study in the USA, which found that one circumstance to which the working poor owed their poverty status was a family structure that is conducive to poverty, such as the presence of dependent children and only one earner.

In one focus group discussion, a respondent who had completed grade 12 but had not had adequate income to join college expressed the following:

Our salaries are too low. My household expenses are about K400,000 per month and I earn about that much every month. It is difficult to save for college or to meet all household needs. To improve my household situation, the salary should be increased to the level of the income tax threshold (K1,000,000). However, we really cannot negotiate here as the attitude of the employer in relation to wages is that of 'take it or leave it'. Furthermore, we are not given pay slips but we need them.

In some instances, even where both the husband and wife had an income, they still faced challenges in accessing household needs. A female employee shared the following experience:

Even though my husband works and earns K475,000, we rarely take home our entire salaries as we usually get salary advances. I have three children and we are looking after two orphans. We have not finished paying school fees for all the children. For example, we only paid K200,000 for the one in Grade 10 and there is a balance of K300,000. I consider my household to be very poor. We cannot afford most of the household goods and my child has no shoes for school.

This experience departs from the finding by Klein and Rones (*Ibid*) that poverty is rare in families where both husband and wife are employed.

It is generally believed that poor households spend more on food and that the more income one has, the less the share of expenditure on food. An employee with a net income of K635,000 spent more than half of his salary (K300,000 to K350,000) on food. Another employee with a net pay of K650,000 said,

I do not consider my income adequate because I spend much of it on food. I usually ask for an advance even if I just recently got paid. I have a small garden where I grow *rape* (local vegetable) and tomatoes for home consumption since none of the other household members contribute towards meeting household needs. We usually have three meals a day. For

breakfast, we normally consume cassava with tea and 'nshima' with vegetables for lunch and supper. Occasionally, we eat meat. We also keep chickens and we consume at least three chickens per month.

For those with higher incomes, the share of non-food expenditure was higher. For example, one respondent with a net income of K1,200,000 narrated the following: "I spend about K340,000 on food. As for non-food needs, my monthly rentals are K450,000, and electricity and water bills amount to K350,000. Therefore, much of my income is spent on non-food needs. However, my income is not enough to meet monthly needs."

Others, however, still spent more of their income on their food despite having relatively higher incomes. For instance, a permanent employee with a net pay of K1,150,000 shared the following experience:

There are four members in my household. We spend about K600,000 on food per month. I pay K200,000 for rent, K25,000 for water, and K50,000 for electricity. I do not consider my income enough as we usually have more needs than our income can fulfil. I supplement my income by selling second-hand clothes at the market. The business nets about K700,000 per month and after paying my brother who sells at the stall, the net income is about K400,000 per month. Sometimes, I pay my brother in kind.

What is evident from the above narrations is that some households try to supplement their incomes and satisfy their needs by engaging in businesses or having gardens and keeping small livestock. Other respondents interviewed mentioned that they also engaged in subsistence farming to reduce on purchasing mealie meal, which can be very expensive.

Generally, the respondents felt that in order for their household situation to improve, conditions of service need to improve as the cost of living is very high and salaries were very low.

4. Policy Implications and Conclusion

Policy Implications

The findings of this research are very indicative of the policy directions that should be taken. The recommendations in this document are by no means conclusive but they give an indication of what should be done to improve both the quantity and quality of employment in Zambia and subsequently reduce poverty among the working poor.

- i. *Improve education and vocational skills*: This strategy is a critical aspect of enhancing decent work, considering the low levels of education among the working poor. While it is recognised that Zambia has achieved the MDG target on ensuring universal primary education, the Government must go beyond this target if any meaningful human and sustainable economic development is to be seen.

Specifically, the Government must get more people into tertiary education. This is the only way that will help develop relevant skills and make more people competitive in the labour market. Furthermore, the Government must ensure the school curriculum is responsive to the long-term growth plans of the nation.

- ii. *Enforce the labour laws and ensure there is consistency among the different laws and policies:* It is imperative that the laws created are enforced if the intended impacts are to be achieved. It was very clear from the research that most companies were not abiding by the labour laws. This was exacerbated by the fact that most employees were not aware of the minimum wage and the mandatory allowances. The inadequate monitoring capacity within the labour ministry leads to weak implementation of labour laws, which in turn can impede the efforts to enhance the livelihoods of workers in Zambia.

Furthermore, there should be consistency among the laws and policies. For example, the working hours in the Industrial and Labour Relations Act should correspond to those in the Minimum Wages Statutory Instrument.

- iii. *Develop an industrial policy and strategy that can enhance decent employment creation:* There should be a deliberate effort to develop the country's industrial base, which should respond to the needs of the market by not only attracting more local and foreign investors but also creating more quality employment.

In line with this, there must be a clear coordinating body to create employment. A study commissioned by the JCTR (2011) on employment generating policies and strategies found that there was a gap regarding which government ministry should take charge of employment generation in Zambia. In other words, there is no institution specifically charged with driving the employment generation agenda in Zambia. At best, this role was scattered among various ministries with no one ministry taking responsibility for meeting the employment creation targets. This constitutes a serious weakness in approach to employment generation in Zambia.

It might immediately seem that such a role should lie with the Ministry of Commerce, Trade, and Industry (MCTI), which is tasked to provide incentives to investors in exchange for, among others, employment creation. However, the labour ministry should also play a strong monitoring and advisory role if this objective is to be achieved.

- iv. *Put decent employment creation at the centre of government policy:* This means that the Government should strengthen the focus of employment on all investment projects, especially where incentives

are offered. Monitoring of employment creation of these incentive-driven projects should be conducted on an annual basis as opposed to the current practice of monitoring employment creation only once in the lifespan of the business benefiting from the Government incentives.

- v. *Produce labour statistics on an annual basis*: The Government should produce labour-related statistics on an annual basis. This information should include, among others, employment growth disaggregated at sector level, type of employee contracts, and employee earnings.

As ascertained in this research report, paid work accompanied with enforcement of labour laws is the key to getting people out of poverty. As such, labour-related functions must be taken seriously and should not be politicised.

Conclusions

This research interrogates the experience of some paid employees who are living in poverty. The research was conducted in two provinces, Lusaka and Eastern. It focussed on three industries: agriculture, wholesale and trade, and manufacturing.

The research found that, generally, the levels of education among respondents were low, particularly in the agriculture sector. Most jobs within the agriculture sector were of poor quality and with minimal security. For example, 72 per cent of respondents with no signed contracts were in the agriculture sector.

One of the strongest findings of the research was that many employers paid exactly the basic pay as recommended by the statutory instrument on minimum wages. Hence, they ignored mandatory allowances such as housing, nutritious lunch and transport. Where housing and lunch was offered, the quality of these provisions was questioned by many employees. Due to the surplus labour syndrome, the employees accepted their situation for fear of losing their jobs. In relation to income, 24.5 per cent of the respondents got a gross income of not more than K419,000.

This finding indicates the weak enforcement capacity within the labour ministry. Considering that many employees did not know what the exact minimum wage was and the allowances due to them, the onus is on the labour ministry to educate the employees and ensure that their rights at work are being upheld.

The research also revealed a trend towards employing casual workers, even for positions that are of a permanent nature. Some employers argued that it is less costly for them to employ casual workers and others argued that it was easy to hire and fire casual workers. Considering the new entrants into the labour market are many, it is not problematic for employers to fire as

there are many others within the labour market that will only be too happy to take up the vacant position.

A combination of low pay and insecure jobs makes it very challenging for many of the respondents to meet their basic needs and those of their families. As a coping strategy, many respondents reported that they normally consumed low quality meals and, in the worst circumstances, pulled children and dependents out of school. Poor nutrition and inadequate education certainly lead to cyclical poverty. Most respondents compromised on the quality of non-food needs by, for example, living in inadequate and poor housing conditions.

The conclusion this research has reached is that the majority of people who participated in this research earn wages not adequate to enable them to subsist on decently. Thus, they remain poor even though they are employed. This raises troubling questions about the nature of wage determination, enforcement of labour laws, and the whole anti-poverty agenda in Zambia. Given this finding, it is time that the Government vigorously implemented recommendations that will improve the lives of the working poor.

Relevant recommendations are not lacking as even some of the Government documents have coherent and timely policy suggestions that could change the lives of the poor, if only they are implemented. The findings in this research, and the recommendations thereof, are among the many that await the Government's proactive response.

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CHAPTER 13

Unemployment and Underemployment in Rwandan Rural Areas: A Case Study of Huye District

Edouard Musabanganji and Johnson Bosco Rukundo**

1. Introduction

1.1 Background

Unemployment and underemployment in most developing economies such as Rwanda is a hindrance towards the attainment of economic development and has been receiving attention from senior economists, researchers and policy makers in recent years. Current opinion in policy and academic circles is strongly in favor of the bipolar view, which considers the various forms of pegging and crawling as unsustainable in the context of a liberalized and increasingly integrated world economy.

Today more than ever before, employment presents one of the real challenges to the International community. This is felt more acutely in Rwanda, which faces many developmental problems. After the socio-economic crisis of the 1994 war and genocide which contributed to increased unemployment and underemployment, the Government of Rwanda has carried out since 1998 national consultations aimed at facilitating long-term sustainable development. It is in this context that the government adopted a long-term strategic vision, “vision 2020”, with key developmental pillars which would help Rwanda move from a very poor country to a middle-income country with employment as one of the fundamental pillars (RoR 2000).

In addition to vision 2020, in 2001 Rwanda adopted the Economic Development and Poverty Reduction Strategy (EDPRS), which contains the country’s developmental programs, projects and policies for poverty reduction. It is in line with this that the Government of Rwanda has adopted a set of integrated strategic actions and economic policies aimed at promoting employment as a strategy for poverty reduction and sustainable development. The strategies spelt out will be translated into programs, projects and activities as part of investment strategies in the field of

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employment that will involve the Government, the private sector, civil society and other stakeholders.

Rwanda has a high population growth rate of 2.9 per cent, which could bring the population to 16 million by 2020 if this rate is maintained. As regards the population structure, classification per age showed that the population is very young, with an average age of 21.2 years, and that half of the population is less than 17.4 years old. It was observed that the rural population is relatively younger (21 years on average) than the urban population (22.2 years on average), and that the male population is younger (20.5 years on average) than the female population (21.9 years on average) (NISR 2006).

Rwanda's economy is predominantly agriculture dependant, as more than 50 per cent of GDP and over 90 per cent of merchandise exports are from agriculture. Besides providing employment to about 80 per cent of the population, agriculture remains the economic base for many of the manufacturing and service industries. Indeed, Rwanda's comparative advantage in international markets relies on agro-based exports. The dependence on agriculture to provide export revenue implies that when agricultural products perform poorly on the world market, as the country often faces severe unemployment setbacks which in turn place a severe strain on the levels of production and on the resources available in the economy (RoR 2004). This paper aims to examine alternative policy measures and deepen understanding of the processes that have led to existing trends of unemployment and underemployment in Rwanda.

1.2 Statement of the Problem

The employment situation in Rwanda is characterized by a deteriorating labor market due to a number of factors, among which are public service restructuring and the privatization of Government enterprises (RoR 2007). The evolution of employment in the past years has declined in all sectors of activity. Thus, due to the economic crisis, restructuring programs that have a direct impact on employment were put in place. This situation has led to increased unemployment and the further development of the informal sector in a context where jobs are rare and some enterprises close down.

In Rwanda, the active population is estimated at 4,492,000 individuals of whom 44.77 per cent are men and 55.23 per cent are women. The majority of the female population is found particularly in the rural areas, mostly engaged in agricultural activities. The evolution of farm holdings in Rwanda is much related to the Rwandan population growth rate. Among this active population, 2,334,000 are young people in the 15-29 years age bracket, and 1,153,000 are less than 20 years old. This indicates that the majority of Rwanda's active labor force is the youth. The total number of the active population less than 17 years old is 3,973,022 (NISR 2006). This signifies the large size of youth labor force, which needs attention from

various stakeholders to create programs that address the structural causes of youth unemployment in Rwanda.

The working population is also characterized by an abundant inadequately trained labor force and very few people are engaged in salaried employment in Rwanda. The working population grows rapidly at an average annual rate of about 3 per cent (RoR 2007). In order to maintain the unemployment rate at a relatively low rate (less than 10 per cent), it is necessary to create about 140,000 new jobs every year on average to absorb the additional labor force resulting from population increase and reduced agricultural land for cultivation.

1.3 Methodology

This study was conducted in Huye District of the Southern Province of Rwanda. We have adopted a cross-sectional design using the triangulation research method combining both qualitative and quantitative methods of data collection. Primary data was gathered from a sample of 260 households randomly selected in the first 4 most populated Sectors: Ngoma, Mbazi, Maraba and Rwaniro. A sample of 616 household members aged 18 years and above were targeted by the study.

Apart from the use of a questionnaire, both closed and open ended, this research used participatory approaches to gather qualitative data from key informant (KI) and focus group discussion (FGD) participants. Additionally, a documentary review technique was used to deal with literature review and acquire some useful secondary data.

The data analysis used some quantitative statistical methods such as cross tabulations, frequency tabulations, and Chi-square test. Qualitative data was analyzed by classifying similar responses together and summarizing them in a convenient manner.

2. Unemployment and Underemployment: Theoretical Considerations

Any business needs a source of labor to function. This axiom applies equally whether we rely solely on a basic economic model of the firm, with labor as one of the four factors of production (Bannock, Baxter and Davis 1988), or a Marxist account, which emphasizes 'labor power', or subscribe to more complex models of organizations, which place importance on intellectual or 'human' capital and the importance of knowledge management (Harrison 1999:409-412, quoted in Morrel, Loan-Clarke and Wilkinson 2001).

The international standard definition of unemployment adopted by the 13th International Conference of Labour Statisticians (ICLS) is based on three criteria, which have to be met simultaneously (ILO 1982). According to this definition, the unemployed comprise all persons above the age

specified for measuring the economically active population who, during the reference period, were:

- (a) "Without work", i.e. were not in paid employment or self-employment;
- (b) "Currently available for work", i.e. were available for paid employment or self-employment during the reference period; and
- (c) "Seeking work", i.e. had taken specific steps in a specified recent period to seek paid employment or self-employment.

In formulating these criteria, the 13th ICLS Resolution does not refer to any institutional or legal provisions, such as the receipt of unemployment insurance benefits or the registration as job seeker with a public employment office. The international definition of unemployment is intended to refer exclusively to a person's particular activities during a specified reference period.

According to Köhler (2004), unemployment statistics based on the international definition may differ from statistics on registered unemployment. According to the priority rules of the labor force framework, unemployment takes precedence over economic inactivity. Therefore, students, homemakers, pensioners and other persons mainly engaged in non-economic activities during the reference period, who satisfy the above-mentioned criteria of the definition of unemployment, should be regarded as unemployed on the same basis as other categories of unemployed persons.

According to the NISR (2006), unemployment occurs when a person who is actively searching for employment is unable to find work. Unemployment is often used as a measure of the health of the economy. The most frequently cited measure of unemployment is the unemployment rate. This is the number of unemployed persons divided by the number of people in the labor force. They should, however, be identified separately, where possible. On the other hand, employed persons looking for another or additional job are excluded from the unemployed.

Unemployment is defined in the labor force framework as an extreme situation of total lack of work. Less extreme situations of partial lack of work are all embodied within the broad concept of employment, defined as engagement in any economic activity for at least one hour during the reference period. It is for identifying such situations of partial lack of work and for complementing the statistics on employment and unemployment that the concept of underemployment has been introduced in the international standards.

Focusing solely on unemployed youth overlooks the fact that many young people may be working but are underemployed, working shorter hours than they would like, or reaping little economic gain (ILO 2008). In addition, in

areas with few formal employment opportunities, many are left to fend for themselves in the informal economy, often beyond the scope of official employment statistics. The problem is that underemployment is difficult to measure.

"What economists call 'underemployment' is so difficult to define and measure because the standard of comparison, 'fully employed', is itself difficult to define and measure," says Bill Butz (quoted in Boto, Biasca and Brasesco 2010). The measurement of underemployment has particular relevance in developing countries, notably in agricultural activities. In many developing countries, because of high prevalence of self-employment, limited coverage of workers by unemployment insurance or social security systems and other reasons, the level of measured unemployment is consistently low. While the measurement of underemployment has mostly been recommended for describing the employment situation in developing countries, its relevance for industrialized countries is also increasingly felt. This is because in many countries, due to the changes in the employment situation, labor market flexibility and the rise of various forms of non-standard employment, new situations have emerged that can be regarded as underemployment. This has been explained by the fact that only a few people can afford to be unemployed for some period of time, whereas the bulk of the population must engage themselves in some economic activity in order to survive, however little or inadequate that may be. In such circumstances, the employment situation cannot be fully described by unemployment data alone and the statistics should be supplemented with data on underemployment.

In Rwandan rural areas, the main activity practiced is agriculture. This engages the majority of the rural population, both men and women. However, due to the growing demographic pressure on land, agricultural lands in Rwanda are highly fragmented. Bizimana, Nieuwoudt and Ferrer (2004), add that the most common problems from land fragmentation include the difficulty of supervising and protecting the land. These are due to long distances, loss of working hours, problems of transporting agricultural implements and products which result in small and uneconomic size of operational holdings. This in relation to the employment status of the population has limited the employment widening since many people rely on agriculture. The essence of having more population pressure leaves the population with limited land for cultivation thus making them underemployed or unemployed in one way or the other.

In Huye District specifically, land for cultivation has decreased due to increased pressure on land from population growth. This has forced the majority of the population to look for alternative ways of employment by migrating to the urban cities and towns in search for employment. Some have been employed at the National University of Rwanda in various

departments and sections, some self-employed in various activities like airtime selling, restaurants, motorcycle riding and many others.

3. Presentation and Discussion of the Results

The main objective of this section is to present and examine the findings related to unemployment and underemployment in Huye District. The section provides an exploration of the characteristics of the respondents as follows.

3.1 Socio-demographic Characteristics of Respondents

The total sample of household members selected for this study is 162 male and 98 female respondents representing 62.3 and 37.8 per cent, respectively. The study showed that the selected households are headed more by men. The details are presented in table 1.

Table 1. The distribution of respondents by gender

Gender	Frequency	Per cent
Male	162	62.3
Female	98	37.7
Total	260	100.0

SOURCE: Research findings

The total number of households visited in this study is 260 and are distributed in four sectors: Ngoma, Mbazi, Maraba and Rwaniro. An examination of table 2 reveals that 30.8 per cent of the respondents are in Ngoma Sector, the one considered as urban and the location of the District headquarters among the four sectors covered by the study. Thirty-seven respondents corresponding to 14.2 per cent are in Rwaniro Sector whereas the respondents from Maraba and Mbazi Sectors are 29.6 and 25.4 per cent, respectively.

Table 2. Distribution of respondents by the sector of residence

Sectors	Frequency	Per cent
Maraba	77	29.6
Mbazi	66	25.4
Ngoma	80	30.8
Rwaniro	37	14.2
Total	260	100.0

SOURCE: Research findings

Table 3. Distribution of respondents by age category

Age Category	Frequency	Per cent	Cumulative Per cent
18-30	47	18.1	18.1
31-40	66	25.4	43.5
41-50	54	20.8	64.2
51-59	50	19.2	83.5
60+	43	16.5	100.0
Total	260	100.0	

SOURCE: Research findings

Table 3 shows that the 47 among the targeted households corresponding to 18.1 per cent are headed by young people aged 18-30 years. This is followed by those headed by people aged from 51-59 years and 41-50 years, in that order and make up 50 and 54 per cent, respectively. It is clear that few households are those headed by old people in the age range of 60 years and plus.

Table 4. Distribution of the respondents by age range and level of education

Respondent's profile	18-30	31-40	41-50	51-59	60+	Total
Never been to school	8	12	10	18	18	66
Primary level	28	38	35	26	24	151
Professional Level	1	0	0	0	1	2
Secondary Level	6	15	8	5	0	34
Diploma	4	1	1	0	0	6
No answer	0	0	0	1	0	1
Total	47	66	54	50	43	260

SOURCE: Research findings

Table 4 presents the cross tabulation of age category and education level. It indicates that most of the respondents (151 out of 260) equivalent to 58.1 per cent have primary level education while those who have never been to school are 25.4 per cent. This is followed by the respondents with a secondary level education, corresponding to 13.08 per cent. A remarkable revelation from the table is that most of the respondents have primary level education. This is because in rural areas, when they finish the primary level, many pupils are led to search for farm and off-farm employment for to sustain their families' livelihoods due to the poverty in rural areas. Although some of them reach the secondary level, few finish it.

Besides this descriptive information, the cross tabulation helps to test the hypothesis that there is no relationship between the age and the level of education. The Chi-Square test performed on the collected data shows a test statistic of 40.277 and a corresponding p-value of 0.005 with 20 degrees of freedom. It is clear that the hypothesis is rejected since the test shows that there is a significant relationship between the age and the level of education. Thus, it can be confirmed that the level of education is dependant on the age category.

Regarding the analysis of the relationship between the level of education and the gender of respondents, table 5 shows that men are more educated than women. Although the sample is dominated by men, the results presented in the following table show a different pattern. It shows that women are the most uneducated among the respondents, with 14.2 per cent corresponding to 37 householders. This is a characteristic of rural areas where women are more analphabet than men. The reasons for this situation in rural areas are various. Girls are made to stay at home in order to help their mothers in household chores. Others are employed as house girls or house helpers in urban centers where they serve as babysitters. Most of the girls are house girls. To this, UNGEI adds that among the barriers to girls' education, poverty, direct and indirect costs of education, and long distance to school are some of the key barriers to getting both girls and boys to school in the region (UNGEI 2007).

Regarding educational background of the respondents (table 5), 25.4 per cent have no formal education, 58.1 per cent of the respondents attended primary school, while those who have been in professional training accounted for 0.8 per cent. Only 2.3 per cent of respondents have completed at the Diploma level and those who have secondary certificates among the total respondents of the study are thirty-four respondents, corresponding to 13.1 per cent.

When testing the hypothesis, there is no significant relationship between age and level of education among the respondents selected for the study. The Chi-Square test results showed a Pearson Chi-square test statistic value of 14.517 and a corresponding exact p-value of 0.006 with 5 degrees of freedom. Therefore, the results reveal that the hypothesis is rejected and the association between the two variables (age and education level) is statistically significant at 5 per cent the level of significance but not significant at 1 per cent level of significance.

Table 5. Distribution of respondents by gender and level of education

Profile of respondents	Male	Female	Total
Never been to school	11.2	14.2	25.4
Primary level	38.8	19.2	58.1
Professional Level	0.4	0.4	0.8
Secondary Level	9.6	3.5	13.1
Diploma	1.9	0.4	2.3
No answer	0.4	0.0	0.4
Total	62.3	37.7	100.0

SOURCE: Research findings

3.2 Economic Activities and Occupation of Household Members

Any employment should imply pay; otherwise there could not be any development, whether socioeconomic or human. Obviously, higher values of unemployment rate in the country of residence and in the occupation of the household head imply higher values for the likelihood of underemployment or unemployment (Hajivassiliou and Joannides 2007). Table 6 shows the rate of paid occupation and non-paid ones in Huye.

Table 6. Non-pay activity on farm business in Huye District

Activity	Frequency	Per cent	Valid Per cent	Cumulative Per cent
Yes	416	67.5	67.5	67.5
No	200	32.5	32.5	100.0
Total	616	100.0	100.0	

SOURCE: Research findings

Table 6 shows that 67.5 per cent of the respondents have worked on their own farm or worked on a farm belonging to a household member for no payment during the last 12 months.

It is worth noting that only 32.5 per cent said no, meaning that they worked for pay. Besides, the population of persons aged 16 and above has grown from 4,118,000 in the EICV1 (2000/01) to 5,888,000 in EICV3 (2010/11), which translates into a growth of some 1.8 million adult persons (NISR 2012a). Given the land constraints which have an impact on a largely agricultural workforce, providing sufficient work for the population is a challenge for the individuals concerned and for policy makers. Nonetheless, it is worthwhile to reiterate that agriculture is the backbone of Rwanda's

economy and the majority of households in Rwanda are engaged in some sort of crop or livestock production activity.

Though 67.5 per cent of the respondents do not work for any pay, it could not prevent them from surviving since they were working on their farms or family farms.

In Rwanda, the agricultural sector is widely seen as the major catalyst for growth and poverty reduction. The share of households' agricultural production which is marketed is an important indicator for monitoring the commercialization of agriculture. The share of marketed output (livestock as well as crop activities) increased strongly between rounds, from 22 per cent to 27 per cent (NISR 2011). This increase can be observed across all provinces, although the increase is less marked in the poorer Southern Province.

Furthermore, the percentage of employed and unemployed persons – the economically active – has declined since 2000/01. The change is explained by the growth in the proportion of adults over 16 years of age who are still students, which has almost doubled over the last 10 years. Employment has largely kept pace with the growth in the population by a combination of job creation and by prolonging the education of young adults, thus increasing their skills. For those aged over 25 but less than 65 years, economic activity rates have risen progressively since 2000 to reach around 98 per cent for those in their thirties (NISR 2011).

In comparison with the previous researches - EICV2, the pattern for young men and women is rather different: 58 per cent of young men between 15 and 20 years work on the family farm, 73 per cent of young women do so. Another quarter of young men take waged work, half in farming and half in other industries. For young women, the proportion falls to 18 per cent in waged employment, but over 10 per cent is not in the agricultural industry. Older males start to work in small businesses, and women less so (NISR 2006).

The problem of high youth unemployment is not peculiar to Rwanda. It is a global phenomenon. In addition, Dooley and Catalano (2003) declare that "of all demographic groups, young people, worldwide have the highest risk of experiencing underemployment". Now that paid occupations are scarce, young people ought to stick to agriculture to be able to make ends meet.

According to an International Labour Organization study in 2004, youth (15-24) make up nearly half (47 per cent) of the world's unemployed, i.e., 88 million out of 186 million, even though the youth are only 25 per cent of the world's working age population. Of the world's 550 million working poor who cannot lift themselves above US \$1 per day poverty measure, 150 million are youth. Also, one may argue that addressing unemployment in general would also lower poverty levels and add to GDP (Lam et al. 2008).

Self-employment could be an ultimate solution basing on the fact that even agricultural activities have been performed without any pay. It is unfortunate to work without any pay, yet each and every one would need to develop and be capable of solving socioeconomic problems.

As it is revealed in table 7, of 616 respondents only 36.5 per cent declared that during the last 12 months they have carried out some agricultural activity whether farming, livestock, fishing or forestry for salary, wages or in-kind compensation while 63.5 said that they did not carry out any pay activity. It is worth understanding that VUP activities are excluded in these kinds of paying ones.

Table 7. Pay activity on farm business

Participation	Frequency	Per cent	Valid per cent	Cumulative per cent
Yes	225	36.5	36.5	36.5
No	391	63.5	63.5	100.0
Total	616	100.0	100.0	

SOURCE: Research findings

Referring to Vision 2020 Umurenge Programme (VUP), it is worth understanding that it has been designed to be implemented through three components.

Firstly, the VUP revives public works but requires that they are planned and that they use community-based participatory approaches (e.g. *ubudehe*) to build community assets and create an off-farm employment infrastructure. These community assets could be in agriculture or livestock infrastructure or dedicated to promote off-farm manufacturing or service activities. The concept of “public works” builds on the experience of “haute intensité de main d’œuvre” (HIMO) projects throughout the country and the VUP seeks to put in place guidelines to avoid the weaknesses and abuses that have hindered HIMO projects in the past. Since private land ownership is widespread in Rwanda, public works can take place on either public or private land (for example terracing). However, the assets must benefit the community at large. Indeed, when such benefits are clear, the community will have the incentive to conduct the maintenance of these community assets, thereby ensuring sustainability.

Examples of desirable outcomes and corresponding on-farm or off-farm projects include:

- (i) improved land productivity;
- (ii) improved financial/business services at the community level;

- (iii) improved infrastructure for off-farm employment;
- (iv) improved formal market infrastructure;
- (v) improved clustered village settlement;
- (vi) improved access to drinking and irrigation water;
- (vii) improved access to schools; and
- (viii) improved access to health facilities.

Secondly, the VUP innovates with cooperative and small- and medium-sized enterprise development and credit packages to tackle extreme poverty as well as to foster entrepreneurship and off-farm employment opportunities. A credit package is a formal contract that describes the use of the credit in pre-specified activities. This contract is agreed upon with the community, endorsed by the community, and approved by the VUP Management Team. It allows the bearer to benefit from the VUP Insurance Scheme (VUPIS), which will facilitate the credit approval by local microfinance institutions.

Thirdly, the VUP includes direct support to improve access to social services or to provide for landless households with no members qualifying for public works or credit packages; such unconditional support seeks to expand access to health and education as well as to encourage the development of appropriate skills, handicraft, or social service activities. Households without labor to participate in on-farm or off-farm employment (i.e. public works projects) may require direct support to lift them out of extreme poverty.

Direct support activities are designed to provide grants to the neediest members and most vulnerable of the community. Such support is unconditional but beneficiaries will be expected to engage in appropriate skill acquisition activities, handicraft, and social service activities. In addition, direct support is intended for those unable to participate in public works and those without the productive capacity to qualify for credit packages. It includes those who do not have sufficient and reliable support from son/daughter or remittances from relatives away from the village (RoR 2007a).

In fact, people need backing up, this is the justification of implementing the VUP in Rwanda. In the same perspective table 8 reveals results about any pay activity in a non-farm business.

Table 8. Pay activity in a non-farm business

Pay activity	Frequency	Per cent	Valid per cent	Cumulative per cent
Yes	93	15.1	15.1	15.1
No	523	84.9	84.9	100.0
Total	616	100.0	100.0	

SOURCE: Research findings

Table 8 shows that during the last 12 months respondents have worked for salary, wages or any in-kind compensation in a non-farm business owned by someone else at the rate of 15.1 per cent while 84.9 per cent is the rate of those who have not. The big percentage of those who said *No* reflects the very issue of unemployment and underemployment. This is critical in that it simply gives an idea of poverty hindering the development of the youth since it impacts on the socioeconomic status of individuals.

In the NISR (2011) report it has been revealed that the fastest growth in the last five years has been in waged employment: waged farm work has grown by 138,000 persons, waged non-farm work has increased by almost 370,000, and independent self-employment outside the farming sector has risen by almost 133,000. In all, there are now around 650,000 more people working in Rwanda and 80 per cent of these have been absorbed into the non-agricultural sector.

As is shown in table 9, only a few respondents (8.9 per cent) affirmed that during the last 12 months they had run or operated a non-farm business like a small shop or other income generating activity for cash or profit for themselves while of the 616 informants 91.1 said that they had not.

Table 9. Non-farm business for cash or profit

Ran business	Frequency	Per cent	Valid per cent	Cumulative per cent
Yes	55	8.9	8.9	8.9
No	561	91.1	91.1	100.0
Total	616	100.0	100.0	

SOURCE: Research findings

Comparing these findings to the ones produced in 2001 and 2006, it has been pointed out that the majority of respondents are employed on farms either as independent farmers or as unpaid family workers on the farm. The proportion of working respondents occupied in these farms as their main job declined marginally between 2001 and 2006, but has remained static between 2006 and 2011. The growth in jobs has occurred in waged farm

work, waged non-farm jobs and among the self-employed running non-farm businesses.

The proportion of working respondents occupied in these farms declined marginally between 2001 and 2006 but has remained static in the last five years. The growth in work has occurred in waged farm jobs, waged non-farm jobs and independent self-employed non-farm business (NISR 2011).

By and large, as it has been shown that in Huye District, for all 18 years old people, the rate of non-pay activities is higher compared to paid ones. In fact, this implies unemployment on the one hand and underemployment on the other. In other words such conditions hamper economic development and human development. Similarly, if we compare pay activities to non-pay ones basing on farm business and non-farm business, the situation of household members, economically speaking, is the same as the one mentioned above.

3.2 Status of Unemployment and Underemployment in Huye District

The National Employment Policy (RoR 2007b) states that one of the major challenges is that unemployment is growing at a very high rate especially among the youth, including the educated, skilled and semi-skilled. This is due to the fact that the job market is not expanding at the same rate as the competition.

According to LMIS report "Employment and its projections in Rwanda" (June 2010), unemployment is one of the biggest problems in the world especially in developing countries, and has indeed been a fundamental cause of poverty but has also been a result of the structured poverty in African economies both rural and urban. The unemployment rate of Rwanda of 1.2 per cent is one of the least in the region with a significantly high employment rate of approximately 85 per cent (WDA 2012).

The overall unemployment rate for a country is a widely used measure of its unutilized labor supply (ILO 2001). The unemployment rate is defined mathematically as the quotient resulting from dividing the total number of unemployed (for a country or a specific group of workers) by the corresponding labor force, which itself is the sum of the total persons employed and unemployed in the group. According to the resolution adopted in 1982 by the 13th International Conference of Labour Statisticians (13th ICLS) (ILO 1982), the standard definition of unemployed persons is those individuals without work, seeking work in a recent past period and currently available for work. In this study, the reference period for unemployment is taken as 12 months.

Unemployment in Huye District

The unemployment rate for this rural area is given by the ratio between the total unemployed respondents aged 18 years and above and the total

number of household members aged 18 years and above who were employed and not employed in the last 12 months.

The results of the study show that the total number of 18 + years old household members who were not employed is counted for 57. This number excludes students (KILM 9) and the total number of all households' members aged eighteen years and above is 616. Thus, the unemployment rate in Huye District is estimated to be 0.0925. Practically, this means that in one hundred active people, about nine are not employed in the study area. This is equal to the 2010/2011 national unemployment rate of 9 per cent (NISR 2012).

Table 10 shows that 35 males (0.1277 per cent) out 274 were not employed in the last 12 months and 22 females (0.0643 per cent) out of 342 were not employed.

Table 10. Estimated unemployment rates by gender in Huye District

Gender	Not employed	Employed	Total	Unemployment rate
Male	35	239	274	0.1277
Female	22	320	342	0.0643
Total	57	559	616	0.0925

SOURCE: Research findings

Even though the study focuses on rural areas, the unemployment rate is less compared to the country level. This can be easily explained by the fact of internal migration of unemployed people (especially youth) from rural to urban areas in search of jobs in the construction or other sector.

Underemployment in Huye District

Underemployment refers to a situation where part of the population is idle for some or most of the working hours (RoR 2007b).

In Rwanda, the private sector is largely underdeveloped and this makes the public sector to be the largest employer compared to the private sector but it also employs less than 1 per cent of the employable population. The agricultural sector is also said to be the largest employer but this sector is largely less productive as the average land holding per person is very small at less than one hector per person. This leads to low productivity and incomes to the rural majority of the youth and women who would otherwise be employed in other sectors.

The findings as shown in table 11 reveal that in Huye District, underemployment is a vital concern. The underemployment rate is 77.2 per cent and this shows that more people wish to work for more hours so as to make ends meet.

Table 11. Underemployment of respondents in Huye District

Underemployed	Frequency	Per cent	Valid per cent	Cumulative per cent
Yes	335	57.0	77.2	77.2
No	99	16.8	22.8	100.0
Total	434	73.8	100.0	
Missing System	154	26.2		
Total	588	100.0		

SOURCE: Research findings

Regarding gender (table 12), it is worth noting that the rate of females who had worked for at least one hour during the last seven days is 53.8 per cent while the rate of males is 46.2 per cent. This implies that more females could search for jobs.

Table 3.12. Underemployment by sex

Gender	Worked at least 1 hour in the last 7 days		Total %
	Yes%	No%	
%Female	107 (53.8)	41 (63.1)	148 (56.1)
Male	92 (46.2)	24 (36.9)	116 (43.9)
Total	199 (100.0)	65 (100.0)	264 (100.0)

SOURCE: Research findings

Besides the data from table 12, the cross-tabulation helps to test the hypothesis that there is no relationship between underemployment and the gender of the respondents. The chi-square test results show a test statistic of 1.723 and a corresponding 2-sided p-value of 0.19 greater than the theoretical level of significance of 5 per cent with 1 degree of freedom. It is clear that the hypothesis is not rejected since the test shows that there is no significant difference between men and women regarding the fact of working at least 1 hour during the last 7 days in the specified activities. Practically, the likelihood of having worked at least one hour during the last seven days is the same for both men and women.

As to the number of extra hours needed per week, table 13 shows that respondents disclosed the following ranges: between 1-10 hours and 11-25 hours, the rate falls to 47.8 per cent and 10.7 per cent, correspondingly. In actual fact, 46 hours and above are just needed by 15.0 per cent of respondents. The range between 26-35 hours and 36-45 hours goes to the rate of 10.1 per cent and 16.5 per cent, in that order. More interesting is the

rate from the range 1-10 hours per week, which is reasonable if people have their weekly workload.

Table 13. Extra hours needed in the week

Hours	Frequency	Per cent	Valid per cent	Cumulative per cent
1-10 hours	223	37.9	47.8	47.8
11-25 hours	50	8.5	10.7	58.5
26-35 hours	47	8.0	10.1	68.5
36-45 hours	77	13.1	16.5	85.0
46 hours and above	70	11.9	15.0	100.0
Total	467	79.4	100.0	
Missing System	121	20.6		
Total	588	100.0		

SOURCE: Research findings

Concerning the relationship between gender and the number of extra hours needed in a week, table 14 illustrates that there are 71.0 per cent of females who would need 11-25 extra hours and 48.4 per cent of males who would need 46 or more extra hours per week. The number of females who would need some more hours are 116 or 57.1 per cent; those who want between 26-35 extra hours 24 females.

Table 14. Relationship between the gender and extra hours needed in a week

Hours	Female%	Male%	Total%
1-10 hours	32 (54.2)	27 (45.8)	59 (100.0)
11-25 hours	22 (71.0)	9 (29.0)	31 (100.0)
26-35 hours	24 (60.0)	16 (40.0)	40 (100.0)
36-45 hours	22 (52.4)	20 (47.6)	42 (100.0)
46 hours and above	16 (51.6)	15 (48.4)	31 (100.0)
Total	116 (57.1)	87 (42.9)	203 (100.0)

SOURCE: Research findings

Table 15. Need for additional employment

Need	Frequency	Per cent	Valid per cent	Cumulative per cent
Yes	377	64.1	80.7	80.7
No	90	15.3	19.3	100.0
Total	467	79.4	100.0	
Missing System	121	20.6		
Total	588	100.0		

SOURCE: Research findings

As shown in table 15, the results point out that respondents need additional employment at the rate of 80.7 per cent while 19.3 per cent said they do not need additional work. This is very crucial in that when people are underemployed, they necessarily need additional employment to earn enough money for their survival.

3.4 Causes of Unemployment and Underemployment in Huye District

Work is a central part of our identities, lifestyles and well-being. Our occupations are intrinsically related to our identities because we often define ourselves by our job titles. When job displacement occurs from lay-offs, restructuring, or other involuntary job loss, it is typically followed by a substantial period of unemployment (Podgursky and Swaim 1987, cited in Maddocks 2012).

Besides, underemployment refers to types of employment that are inadequate for the worker. These include the inability to use one's education, skills or training, inadequate wages, lower income than previous jobs, or the need to settle for part-time hours because of an inability to find full-time work. The concept of underemployment as it is applied in this study differs from other concepts used to describe inadequate work such as precarious employment.

It also refers to types of employment that are inadequate for the worker, for example, inadequate wages, part-time hours when full-time work is desired, or over qualification by having more education, skills or training than the position requires. Also, some workers may consider themselves to be underutilized, working fewer hours than they would have hoped, earning less income in their new job after a lay off, or over-educated for the requirements of their position.

According to Keynes (cited in Mahmood et al. 2011), unemployment is caused by the endemic uncertainties of profits and economic rigidities in capitalist market economies which entail insufficient demand for labor, not only at business cycle downturns, but permanently. To remedy it, aggregate

demand needs to be stimulated by expansionary macro-economic policies up to the point of full employment.

In most developed countries, underemployment arises because of reductions and reorganizations in the demand for labor: many workers face not only a total lack of work opportunities, but also a lack of adequate work opportunities, giving rise to situations in which persons in employment are often obliged to use their skills only partially, to earn hourly incomes which are lower or to work less hours than those they are willing and able to work.

Unemployment of educated manpower, particularly in a society marked by a very low and stagnant level of literacy is catastrophic. In addition being a politically sensitive issue, the educated unemployed are generally located in urban areas, and being young, capable of organizing themselves and belonging to middle class can exert their influence and act as a powerful pressure group.

The "Keynesian" view of unemployment stating: "Unemployment is an excess supply of labor resulting from a failure of coordination in the market economy". Petoco (1999) in his classical view of unemployment says: "Unemployment is job search people engaged in the productive work of looking for a better match between worker and employer" (cited in Mahmood et al. 2011).

The unemployment rate is an insufficient and ambiguous indicator of labor slack, demand for labor, and labor market performance. It captures only the most visible part of labor underutilization, thus providing at best a partial picture of unused labor resources that are available. In human terms, it usually reflects the most tragic part of underemployment, even though there are labor market situations that may be worse than open unemployment. Think of a young person who has never found a job and who after many trials has given up searching. Statistically, this person is exiled into the category of 'economic inactivity'.

In Huye District, the main aspect focused on during the interviews their understanding of unemployment and underemployment. Interviewees, mostly from the youth, revealed that they do not have technical skills and therefore they cannot be employed. However, even those who have completed either secondary school or university could not get any employment. Besides, there are those who could perform duties which are not related to what they have specialized in due to lack of appropriate employment. Additionally, participants pointed out the following causes:

- Lack of capital to run a business;
- School leavers do not get any job opportunities;
- Lack of sensitization regarding job creation;

- Cultural barriers (as young girls coming straight from school are disadvantaged in searching for jobs compared to boys: they are not allowed by their parents or families to move from their family settings to cities or urban areas as this is seen by parents as a way leading to prostitution);
- The number of school leavers and graduates is higher compared to the demand in the labor market;
- The background of applicants - some are not adjusting to the system with regard to skills in the official or foreign languages;
- Applicants face financial challenges and most of them could not try different opportunities while searching.

The above-mentioned causes of unemployment and underemployment are very crucial and they need follow up, otherwise the problem will increasingly affect Rwandans.

The impact of unemployment within families illuminates another aspect of how the damage of joblessness is felt, particularly since families these days depend on more than one earner to support themselves. Also, other potential culprits could include tax, expenditure and monetary policies that cause unemployment to rise. It is well known that young people have the highest unemployment rates and their labor market success is quite sensitive to the state of the overall economy (Mroz et al. 2001).

3.5 Effects of Unemployment and Underemployment in Huye District

The EICV 3 showed that Huye District is among the districts with a high percentage of extreme-poor and poor2 population categories. These categories represent 47 per cent of the total population of Huye. About 53 per cent of the population in Huye District is identified as non-poor, 21.4 per cent as poor (excluding extreme-poor) and a further 25.2 per cent as extreme-poor. Huye ranks sixteen among all districts, with a high percentage of extreme poverty. (NISR 2012b)

Regarding effects, unemployment, a form of labor market distress, can pose significant challenges for individuals and families. People want jobs that provide enough hours of work and pay wages that, when taken together, offer a family-sustaining level of income. When this does not occur, underemployment is typically the problem. Although many different forms of underemployment – including unemployment – exist, the result is usually the same: people find it difficult to earn enough to make ends meet. Additionally, the results have shown that a one-time effort to stimulate local employment growth can reduce unemployment rates in the short term. However, this effect disappears over time. A one-time effort is not enough to counter the higher equilibrium unemployment rates that are characteristic of rural counties; so a long-term strategy is needed (Findeis et al. 2009).

Involuntary part-time work, inadequate pay and the inability to use one's skills and education are all expected to have negative consequences for the health and well-being of individuals. For instance, some of the respondents said:

When we are employed regardless of our educational level, we are underpaid compared to those whose educational level is taken into account. This affects negatively our access to health services such as paying for the mutual health scheme. We are not able to make savings for future investment or assist our family members depending on us, etc.

Some others said:

Due to lack of employment, we are compelled to carry out part-time work that leaves us underpaid. Consequently, we are not even able to meet our personal needs satisfactorily and cater for the needs of our siblings afterward.

It was pointed out that the prolonged mass unemployment tends to generate a tendency towards "hysteresis" - the self-reinforcement of high unemployment. For instance, some respondents said:

Those who finished before us are still jobless. The hope for us to find one is low. Even if we happen to find one, we wonder whether our brothers who are still studying will be able to find jobs in the future. If nothing is done about it by the government, the unemployment will threaten us more and more.

In actual fact, hysteresis transforms a proportion of the unemployed into a permanently marginalized or excluded class of workers. According to Dooley and Prause (2004), "workers apparently suspect that job changes in the present labor market can have adverse effects not only on their incomes but also on benefits such as health insurance and pension plans."

The latter quotation is supported by the arguments made by the youth during an interview that was conducted in the previously mentioned and selected areas in the study area. Among the effects disclosed by respondents are the following:

- There are family conflicts (after parents have sold most of their properties so as to send their children to school, they end up getting disappointed when their children do not get jobs).
- Females get into prostitution in order to solve their basic needs and most of them get infected with HIV/AIDS;
- Males become drug takers, smokers as a way of fighting frustration.
- Both males and females become unable to afford health insurance and commit crimes such as theft, etc;

- There is no sustainable development whenever people are unemployed or underemployed;
- The morale is down among the underemployed and unemployed in particular and among the youth in general;
- Disappointments regarding the ones who are not putting in use their formal education.

Respondents who perform part-time jobs not related to their domains

In Huye District, people who are not employed feel they can do whatever part-time job available provided it is pays. For example, in Rwaniro Sector, there is Agro Action Allemande - a non-governmental organization that gives part-time jobs to the local citizens. Though respondents have accepted these part-time jobs, they pointed out some challenges. Some respondents stated: "the major problem facing us is that we do not sign any contract and sometimes there is no transparency in the recruitment process".

More importantly, it is quite easy for males to search job opportunities; while in such a situation of searching, females are vulnerable.

By and large, an examination of most of the apprehended criminals shows that a large number of youths that engage in criminal activities are those without gainful employment. Some of these criminals are people who have the potential for gainful employment but have been denied such an opportunity.

Challenges related to government's current solutions

The foregoing identified effects lead to a set of challenges that need to be addressed by the concerned entities including the local government, the Ministry Local Administration and Good Governance, the Ministry of Youth and the Ministry of Labor. Those challenges include family conflict resolution; abolition of prostitution, drug taking and crimes; raising the morale of the citizens as far as employment is concerned and dealing with disappointments among them.

In the face of these challenges, the government has made efforts to provide some solutions. The government has undertaken to encourage investors to invest in rural areas, to encourage the youth to group themselves into cooperatives and create clubs and to become entrepreneurs.

For instance, the government has created cooperatives such as Cooperative for Development and Youth Self-employment operating in some areas (Cooperative de la Jeunesse pour l'Auto-emploi et de Développement (COJAD)) and Saving and Credit Cooperatives (SACCOs) operating in all administrative sectors to enable the population in the rural areas to make savings and access loans for investment in small-scale projects.

4. Conclusion and Recommendations

This study has arrived at some useful findings that would help in determining the status, the causes and effects of unemployment and underemployment in Huye District.

The paper has dealt with economic activities and the trend of unemployment and underemployment in Huye District. It is worthwhile to note that the data collection has been made using questionnaires and interviews. Besides, the study has focused on 18 year-old household members.

The total sample of household members selected for this study is 162 males and 98 females representing 62.3 and 37.8 per cent, respectively. The study showed that the selected households are mostly headed by men.

The total number of households visited in the framework of this study is 260 and are distributed in four sectors: Ngoma, Mbazi, Maraba and Rwaniro. An examination of the table 2 reveals that 30.8 per cent of respondents are in Ngoma Sector, the one considered as urban and the location of the District headquarters among the four sectors covered by the study. Thirty-seven respondents that correspond to 14.2 per cent are in Rwaniro Sector whereas the respondents from Maraba and Mbazi Sectors are 29.6 and 25.4 per cent, respectively.

As for the educational background of the respondents, the results showed that 25.4 per cent of respondents have no formal education, 58.1 per cent of respondents attended primary school, while those who have been in professional training counted for 0.8 per cent. Only 2.3 per cent of the respondents have trained at the Diploma level and those who have secondary certificates among the total respondents of the study are thirty-four, corresponding to 13.1 per cent.

Among the targeted household members, 47 or 18.1 per cent are headed by young people aged 18-30 years. This is followed by those headed by people aged 51-59 years and 41-50 years, in that order, which make up 50 and 54 per cent, respectively. It is clear that a few households are headed by old people in the age range of 60 years and above.

The results also showed that men are more educated than women. Although the sample is dominated by men, the results show a different pattern. It shows that women are the most uneducated among the respondents with 14.2 per cent corresponding to 37 householders. This is a characteristic of rural areas where women are most analphabet than men.

When testing the hypothesis as to whether there is no significant relationship between the age and the level of education among the respondents selected for the study, the results revealed that the hypothesis of absence of association was rejected and the association between the two variables (age and education level) was statistically significant at 5 per cent

of the level of significance but not significant at 1 per cent level of significance.

It has been revealed that income generation is still very low due to inadequate pay job opportunities.

Regarding unemployment and underemployment status in Huye District, it is worth noting that both are critical in that respondents disclosed that they are unemployed, hence this impedes their socioeconomic welfare. Indeed, the findings of the study showed that the total number of 18 years old and above household members who were not employed counted for 57. The total number of all household members aged 18 years and above is 616. Thus, the unemployment rate in Huye District is estimated to be 0.0925. This means that out of one hundred active people, about nine are not unemployed.

Regarding the distribution by gender of unemployed household members aged 18 years and above, the findings revealed that 35 males out of 274 were not employed in the last 12 months and 22 females out of 342 were not employed. This is equivalent to unemployment rates of 0.1277 and 0.0643, respectively, for men and women. The overall underemployment rate is 77.2 per cent and that there are more people who want to work more hours so as to make ends meet.

As for income generating activity, 91.1 per cent of respondents do not generate any income and this proves a vital aspect of unemployment. Concerning underemployment in Huye District, it has been revealed that there is a good rate of females who want to get job opportunities to make ends meet.

It is worth noting that the rate of females who had worked for at least one hour during the last seven days is 53.8 per cent while that rate of males is 46.2 per cent. This implies that more females need jobs to make money than males do.

The number of extra hours needed per week ranges from 1-10 hours to 11-25 hours. Those needing 46 hours and above are just 15.0 per cent of respondents.

The relationship between gender and the number of extra hours needed in a week was examined. The findings showed that 71.0 per cent of females would need 11-25 extra hours while 48.4 per cent males would need 46 extra hours and above per week. The female respondents who would need more hours are those who need 26-35 extra hours. The majority of female respondents, 57.1 per cent, are in need of additional employment. The rate of females who did not have a full-time position is 61.4 per cent but 38.6 per cent of males did not.

With the help of interviews and focus group discussions, participants pointed out different causes of unemployment and underemployment in

Huye District. Those causes include the lack of capital to run a business, few job opportunities, the lack of sensitization regarding job creation, cultural barriers and the language competence of job seekers.

The study enabled to identify various effects of unemployment and underemployment in Huye District: family conflicts, females getting into prostitution thereby increasing the risk of HIV/AIDS infection, males becoming drug takers and smokers as a way of fighting frustration, the low morale among the underemployed and unemployed in particular and among the youth in general and disappointments among those who are not putting to use their formal education. All these effects give rise to challenges that need to be dealt with.

This has lead the government to put in place certain measures including the encouragement of investors to invest in rural areas, the creation of saving and credit cooperatives to enable the rural residents to save and have access to loans, etc. However, all the current measures put in place are not enough to address the problem. Hence, there is need to give the following recommendations in the light of the above results and to address the challenges related to unemployment and underemployment in Rwandan rural areas:

- The government should, through the Ministry of Youth and Local Government and the Ministry of Labor, take care of unemployed and underemployed citizens by providing vocational trainings mostly to the youth;
- The government should encourage the private sector to invest in rural areas so that they may assist in job creation;
- The government should put in place a widely accessible network to disseminate in remote rural areas information about job opportunities;
- The local sectors and districts should encourage the creation of cooperatives leading to mutual help. They should also encourage the creation of clubs where people can exchange ideas on job creation.
- Employment experience is still an obstacle to citizens searching for jobs; hence it should be looked at by the Public Service Commission to deal with it;
- Follow up of the implementation of recommendations made by different researchers in the areas under study should be made by the concerned authorities.

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CHAPTER 14

Policy Considerations in Tackling Unemployment: Concluding Remarks

*Paschal B. Mihyo**

The twelve case studies included in this anthology point to key issues that need to be taken up further by researchers and policy actors. The issue of education and whether and how it prepares young people for self-employment or employability has been very well emphasized in the chapters on Ethiopia, Kenya, Tanzania, Uganda and Zambia. Population pressure and resources stress as factors that reduce the impact of Gross domestic product growth have come out clearly in the case of Ethiopia and Rwanda. Reforms that reduce employment through downsizing or privatization have been pointed out as part of the problem of unemployment in Rwanda and Tanzania. The chapters on Zambia emphasize the risk of youth marginalization in the labour market and the uselessness of jobs that do not lead to poverty reduction because of their very low contribution to incomes of the working people. Each chapter ends up with conclusions that need not be repeated. In this concluding chapter, I raise a few issues to be taken into consideration by researchers in their search for solutions to the unemployment problem and policy actors as they seek to improve on existing policies aimed at tackling unemployment in the region.

Identifying binding constraints to employment creation

In spite of several decades of structural adjustment, the structural problems that grease the machinery of poverty and unemployment in the region have refused to go away. In some way, some of the strategies adopted in the structural adjustment programmes have aggravated rather than alleviated poverty and unemployment problems as shown in the chapters on Rwanda, Tanzania and Zambia. What needs to be done to strengthen the effectiveness of the resolve and efforts to tackle unemployment is to step back and take stock of the critical binding constraints that hinder economic transformation that can lead to poverty reduction and employment generation. These include among other things: low levels of investment and therefore low returns on economic activities and low social and private returns on investments; scarce credit financial resources and the resultant

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high costs of credit that reduce incomes of small entrepreneurs; low levels of domestic savings and thus low availability of financial resources that can be easily accessible to small businesses; lack of information on employment opportunities and available skills and high prevalence of informal labour market information systems that encourage corruption and fake intermediation; poor coordination bottlenecks within various institutions and limited human capital in general.

The problem of human capital, for example, cannot be solved by increasing the number of universities or polytechnics. It is about the content of education and whether it has relevance to the needs of the labour market. As indicated in the chapters on Ethiopia, Tanzania, Uganda and Zambia, unless educational institutions adjust their programmes to the needs of the strategic actors in the areas of employment, they will continue training youths for unemployment. In this context, there is also need to identify which sectors are the most strategic actors in employment creation. The informal sector is important but it does not create stable decent jobs. It preserves rather than reduces poverty. The private sector, which many policy actors project as the engine of growth, has not received the support it deserves compared to the hype about its role. The public sector is still the biggest employer in many countries and it needs to be supported to get the right quality of public servants who can design, implement, evaluate and improve policies which in turn will support investments and employment.

Export-Led and Direct Foreign Investment

Investment promotion policies adopted by most African countries in the last three decades have put foreign direct investment (FDI) at the forefront of recovery policies. The expectation has been that most FDI will be in export oriented sectors. Evidence on the ground, however, indicates that most of the FDI has gone into extractive industries such as natural resources exploitation in minerals and timber products and these are not the biggest employers either because they do not use all the land leased or they use technologies that are labour saving. In addition, FDI in sectors that employ a lot of people such as in textiles and agriculture has not led to the massive employment trends expected. In the textile sector in Namibia and Swaziland, firms from Asia came in and invested and employed thousands of employees in anticipation that they would benefit from the African Growth and Opportunity Act arrangements between their host countries and the USA. But, after a short period, those firms left without notice and left thousands of workers unpaid and unemployed (Mihyo 2013). Given these and other experiences with mining companies from the west, there is need to re-examine investment policies and promote export-led development while attracting FDI.

It is clearly documented that in the wake of the financial crisis in the eighties, Asian countries developed strategies that made them less dependent on FDI and more focused on export revenue as an engine of

growth. They kept their currencies cheaper and labour costs lower but without sacrificing employment. This strengthened their competitiveness without undermining decent work policies (ILO 2011:30-31). The experience in the past is that Africa gains less than 5% from export earnings generated by mining, which is under the control of mining multinationals. Such policies are not appropriate for employment growth or economic growth in general.

Combining Employment Promotion with Employment Protection

At the time developed countries were pushing developing ones especially those in Africa to downsize and reduce employment levels in the public sector and public enterprises, Canada introduced the Wage Earner Protection Programme (WEPP) in July 2008 which provides financial assistance to those who lose jobs through bankruptcy. This programme has now been extended to all employees. In February 2009, the USA introduced the American Recovery and Reinvestment Act (ARRA) increasing allowances payable under the unemployment benefits scheme. As the ILO (2011:50) has reported, 'During the crisis roughly half of the world's economies increased the minimum wage'. This was not confined to developed countries. Brazil reduced industrial production tax in order to boost job creation and prevent wages erosion. In the same year, Indonesia cut personal income tax to promote domestic consumption and enable enterprises to retain staff. In that same year, Argentina increased child benefits of all workers earning less than a minimum wage. Instead of laying off workers Canada and Brazil reduced working hours in order to ensure shifts were re-organized to allow all to work. Korea re-introduced what in the 1980s was known as social corporatism through which employer organizations, unions and government reached the 'Grand Social Consensus', which enabled government to increase subsidies to enable wages in SMEs to rise by 33% and it introduced job sharing schemes which resulted into about 90,000 jobs being saved (ILO 2011: 49). These are examples that can be examined and some of the best practices for employment protection can be examined further and, if appropriate, used in the region. South Africa started to implement some of these practices in 2011.

Assessing the Impact of Austerity Measures

For the last thirty years, Africa has been a testing ground for policies aimed at reforms. Some have worked well but the majority have further entrenched the binding constraints to growth. There is need to examine carefully some of the austerity measures proposed or implemented in the context of their impact on employment and development. Tax increases including value-added tax (VAT) which have been adopted through structural adjustment programmes, affect mainly low income earners and reduce the value of already very low wages. Apart from VAT, there have been systematic annual increases in corporate tax, excise tax, financial

sector taxes and even taxes on social security in many countries. Regressive taxes increase income inequality, suppress domestic consumption and ultimately stifle growth. Secondly, employment freezes which were imposed on the public sector during structural adjustment are a prescription for a demographic crisis in many public institutions. For two decades universities in the region were restricted from recruiting on a large scale. Beginning the new millennium, it is becoming clear that in most universities especially in Eastern and West Africa, there is a demographic crisis in the academia as most members of staff are above 50 and some faculties are heavily dependent on retirees. Such policies do not only hinder employment growth but also deprive the economies of opportunities to develop the human capital levels required to address existing and new development challenges.

Finally, there is need for a holistic approach to employment promotion and protection. Apart from getting the fundamentals right as suggested earlier, there is need to ensure efficient distribution of benefits of growth. Productivity has to be increased and this requires technical and technological capabilities that can best be acquired through training and skill formation. The share of profits should increase alongside that of wages. There is also need to keep households capable of spending because that is where growth comes from. If consumption is limited to the happy few, there cannot be robust growth. Furthermore, increases in public investments have always been supportive of job creation and decent incomes. There is need to increase investments in public services. Finally, strengthening unions is good for the African economies. Social dialogue is only possible if unions are organized, resources and informed. We have a lot of good examples to learn from. The problem of unemployment is not insurmountable.

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About the Book

Effectiveness and viability, or otherwise, of public policies and strategies, quality of governance, and sustainability of socio-economic growth of a country are gauged, among other things, by the level and quality of employment opportunities they create and sustain for citizens in general, and the youths in particular, as youth are imbued with great potentials of productivity and innovation that could shape the destiny of the nation as a whole. As such, the extent to which a country is able to avail decent and gainful employment to its citizens is considered among one of the indicators of the level of growth or development of that country and its prospects as well. However, compounded with worrying quality of education offered by institutions of higher learning and technical and vocational skills to equip the youths with the competence needed to get employed and to create employment for themselves as well, governments' inability to create and sustain adequate employment opportunities has been one of the major setbacks in most developing countries in general and in the Sub-Saharan African countries in particular.

This book "Employment Policies and Unemployment in Eastern and Southern Africa" edited by Professor Paschal B Mihyo brings together outputs of studies conducted in Ethiopia, Kenya, Uganda, Tanzania, Rwanda, Zambia, and Namibia. The studies reported in this anthology focus on graduate unemployment as a function of poor quality of education offered by IHES and weak employment creation by governments; contributions of entrepreneurship training in solving unemployment; employment policies and unemployment; youth aspirations and employment; role of business linkages in promoting employment; the causes, coping strategies and consequences of urban unemployment; and unemployment and underemployment. Some of the Chapters construe rapid population growth as one of the factors exacerbating the rate of youth unemployment; and many document that unemployment and underemployment are preserving and escalating inequalities between and among different groups of people. Drawing from the findings reported in these studies, effective employment policies and strategies seem to be inexorably needed, as part of the solutions.

The book is indispensable for development policy and decision makers, programme designers, social security agencies, institutions of higher learning and technical and vocational education, curriculum designers, academia, researchers and students of IHES.

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