

# Realising the Potential of Agribusiness to Reduce Youth Unemployment in Ethiopia

Agribusiness in Ethiopia has grown significantly in the last 20 years, and this growth is set to continue. This transition presents opportunities to address the country's high youth unemployment and for agribusinesses to participate in global, regional, and local markets. In Ethiopia, youth (15–29 years old) are four times more likely to be unemployed compared to adults. While there are many jobs being created in the agribusiness sector, there are significant skill and pay gaps. Potential jobs are also being lost because of poor infrastructure and lack of access to suitable land. As Ethiopia moves towards further privatisation, the government needs to launch a strategy to create an efficient and competitive agribusiness sector to fuel 'decent' job creation for youth.

## The growth of agribusiness

In Ethiopia more than 20 per cent of youth are unemployed, especially in urban areas. While youth unemployment is largely an urban problem, in rural areas more than 27 per cent of young people are underemployed because there is not enough work. As the youth population is set to grow, and with 70 per cent of youth living in rural areas, support to the growing agribusiness sector is vital and could drive many job opportunities.

Ethiopia has shown signs of agricultural transformation in the form of labour movement to more productive manufacturing and services sectors, and productivity growth through commercialisation that has led to the creation of agribusinesses. The cut flower and agro-processing sectors have grown in particular. In the last 20 years, the number of flower farms has increased from 5 to more than 100.

Over 17,000 micro and small enterprises (MSEs) have also emerged, with more than 70 per cent engaged in activities that are directly related to the agricultural sector, such as food processing and milling. The industrial organisation of the agricultural sector has also changed significantly due to the emergence of private actors in contracting, processing, and marketing of agricultural products.

## Transforming job prospects in agriculture

The agribusiness sector has created a significant number of jobs for youth through diversifying the types of produce that it farms and sells. By 2017, the flower, fruit, and vegetable sub-sectors

had created employment opportunities for over 180,000 people. Due to the labour-intensive nature of the jobs, most of the employees in this sector are also youths. On average, a hectare in the flower, fruit, and vegetable farming sub-sectors creates ten jobs. This rate is much higher compared to jobs created by large-scale farms that are only engaged in production of food crops.

By 2014, MSEs had created jobs for nearly 1.7 million people, and over 85 per cent of those jobs were related to agribusiness, i.e. using agricultural products for raw materials in their business. The jobs in this sector are attractive as more than 60 per cent are paid jobs, as opposed to self-employment and unpaid family work.

Given that the private sector is the major employer in the agribusiness sector its role is significant. In the process of industrial reorganisation of the agricultural sector, many jobs were created in wholesale and retail trades as well as in the input supply sector (mostly fertiliser and seed). However, jobs created in the agribusiness sector are largely low-paying and less skill-intensive.

However, while many jobs are being created, there are significant considerations in relation to the quality of work provided, and the skills support in schools for taking up these roles. In the cut flower sector, the wage at managerial level is over ten times higher than entry-level jobs such as land preparation, fertilisation, and harvesting works. However, most youth come into the sector at

entry level and are employed as production workers, meaning that young people work in precarious conditions even when they are in paid jobs. Importantly, most of the employed youth in the private sector hold below secondary education qualifications, including those in the cut flower sector and MSEs. This leads to low pay in the private sector.

## Barriers to production and employment

While jobs are clearly being created, the agribusiness sector faces multiple challenges in getting young people to take up these roles, related to access to infrastructure and land. For example, frequent power outages and inability to access suitable land close to the airport to easily export products have resulted in

significant revenue losses and job losses in the cut flower sector. MSEs face similar constraints as well as a lack of access to finance, shortage of water, and lack of market information.

Youth also experience barriers to owning land, which is critical for them to not just be employees, but also owners and employers in the sector. While Ethiopia's land tenure and inheritance laws guarantee equal land acquisition and use rights for all rural citizens wanting to engage in agriculture, youth typically rely on inheritance and informal rental markets to access land due to a shortage of land in the areas where they live. In addition, current land rental arrangements do not allow youth to rent land on a long-term basis.

## Policy recommendations

### 1. Invest in infrastructure

A considerable number of jobs are being lost in the agribusiness sector due to power outages and weak infrastructure such as irrigation, storage, and internet. Improving existing infrastructure and continued investment would make agribusinesses more competitive and reliable.

### 2. Improve productivity of existing and new agribusiness

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

### 3. Address the wage and skills gaps

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

- Introducing minimum wages in the private sector;
- Unionisation of the workforce, with a view to improving youth's bargaining power for better wages;
- Provision of employment and skills services, which could reduce a mismatch between job seekers and suppliers. Improving the skillsets of existing employees through on-the-job vocational training would be crucial.

### 4. Improve youth's access to land through policy reforms, to support them to be drivers of agribusiness

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

## Further reading

Wossen, T. and Ayele, S. (2018, forthcoming) 'Ethiopia's Agricultural Transformation: Agribusiness' Contribution to Reducing Youth Unemployment', *IDS Bulletin* 49.5

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