

# **Determinants of Urban Youth Unemployment in Bench-Sheko Zone**



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**Acronym**

ADB-African Development Bank

BSZFO-Bench-Sheko Zone Finance Office

CSA- Central Statistical Agency

EEA- Ethiopian Economic Association

ELFS-Ethiopian labor force survey

ILO-International Labor organization

KILM-Key Indicators of Labor Market

NEPSE-National Employment Policy and Strategy of Ethiopia

SNNPR-South Nation Nationalities and Peoples Region

WHO-World Health Organization

YUR-Youth Unemployment rate

## **Abstract**

There is a greater problem among urban youth in Ethiopia than among rural youth. The youth labor market in Ethiopia presents a particular problem because of the high proportion of young people in the population. Therefore, the main objective of the present study was to identify the determinants of youth unemployment in the Bench-Sheko zone. In order to accomplish the study's goal, both primary and secondary sources were used. In this study, we collected primary data from four towns - Mizan Aman, Shy Bench (Cize), Semen Bench (Temenja Yaz), and Dehub Bench (Debrework). Structured questionnaires were used to collect data from 401 respondents. In addition to the primary data, published and unpublished materials were used to supplement the study. As well, a description and a binary logit regression model were used to explain the study outcomes. The study shows that males are more likely to engage in business, however in the Bench Sheko zone male unemployment is higher than female unemployment. Between 2011 and 2013, females had a low chance of participating in enterprise activities. A significant association between youth unemployment and credit opportunity, gender, education level and family income can be found as well. However, business advisory services, working for pay, work preference, and marital status are not significant. Based on the study's findings, we suggest that youth should receive business advisory support, receive enough credit opportunities, and improve their educational level. Families with high incomes should encourage youth to engage in work. Both male and female should be encouraged to start their own business.



# CHAPTER ONE

## INTRODUCTION

### 1.1. Background of the study

Today greater than half the world's population is under age 30. These youngsters humans are possibly to be healthier and better knowledgeable than their parents and can take advantage of modern communications technologies and media that permit them to engage greater absolutely in worldwide society. They have higher work expectations but many of them cannot locate work. Facilitating youth in arrangement with the sector of work leftovers as the top of political agenda in most world countries; accordingly, a person is to be taken into consideration unemployed if he/she at some point of the reference period simultaneously satisfies being: 'without work', i.e., were not in paid employment or self-employment as specified by the international definition, currently available for work, i.e., were available for paid employment or self-employment during the reference period; and 'seeking work', i.e., had taken specific steps in a specified recent period to seek paid employment or self-employment (Beshir, 2014).

Youth unemployment is a new thinking of global problems, threatening whole humanity which include trained and illiterate mass especially youth to cope up the magnitude of the trouble in their respective locality. It is a serious issues every nation including eastern and western countries. Youth Employment and economic empowerment are crucial factor of a sturdy foundation in any society. Having decent work is fundamental for youth human being and their future, but it also has a terrible impact on neighborhood communities, countries, and the world. Developing countries are more victimized than others (Nganwa et al., 2015).

In Africa youth unemployment became a challenge issues. 70 percent of the region's population is under the age of 30, and slightly extra than 20 percent are young human beings between the ages of 15 to 24. The consequences of youth unemployment in the continent are persistent and severe: unemployment translates to poorer dwelling conditions, fuels migration out of Africa, and contributes to battle on the continent itself. There is therefore an urgent need to create opportunities for youth, with tremendous potential impact. Addressing the multi-faceted causes of formative year's unemployment on the continent

will help pressure inclusive economic growth, turning Africa's demographic dividend into an economic one (ADB, 2012).

According to the ILO, between 2015 and 2017 Africa's average youth unemployment rate was estimated at 13.3%, just above the global rate of 12.5%. On the different hand, in Ethiopia, from the total urban unemployment i.e. 1,509,227, the youth urban unemployment level was 935,593, this estimated at over 62 per cent (CSA, 2016). Residents in countries to get a job have been getting tougher from time to time due to greater jobless rate.

Ethiopia has witnessed speedy population growth in latest decades. The population was once estimated to be about over 104 million (CSA, 2016), making Ethiopia the 2<sup>nd</sup> most populous country next to Nigeria in Sub Saharan Africa and 12<sup>th</sup> in the world. The share of young human being in the overall population has extended over the last two decades. This implies Population growth is the main source of labor supply for the economy, with the growth overall population the working age population increase in the labor force. Different countries adopt and use various age ranges for the idea "youth" from the stand point of the purpose which they stand for and the things to do they undertake. For Example, The United Nation (UN) and ILO defines the youth as folks between 15 -24 years; whereas WHO defines youth from 10-24. While for UN Habitat (Youth Fund) and the African youth charter, the age of youth range is from 15-32 and 15-35, respectively. In Ethiopia according to the country wide youth policy, youth encompass part of the society who is between 15-29 years (Kebede, 2019).

South Nation Nationalities' and peoples region is one of the regions with a total urban populace of 2,627,428 out of this 1,248,306 is male and whereas 1,379,122 are females, moreover from the total urban population 38.5 % is youth population (CSA, 2016). On the other hand, employment status of youth in the region showed that youth unemployment level was estimated about 103042 (64%), 19680 of males (19.1%) and 83360 (80.9) of females, from total unemployment of 159,912. Besides, according to SNNPR youth and sport office register youths from 15-34 years only. So, the researchers are considering this year to conduct the study.

According to Ethiopian labor force survey report, the unemployment rate of urban youth at country level was 37.5% while for rural youth remained at 7.2% only (LFS, 2014). With regard

to this, Bench-Sheko zone is one of the town in Ethiopia which is not expected to be free from the above mentioned problems, hence the researchers has desired to under task issues affecting youth unemployment in Bench-Sheko zone. Hence, this evidence leads any rational researchers who worry about his country and forgone output, to deal and know a main determinant of youth unemployment that leads for the rise of youth unemployment on the town, as well as to accelerative a solution to devastate the problem.

## **1.2. Statement of the problem**

Youth unemployment is one of the most important issues at international level. It represents the underutilization of scarce and precious sources, which would be crucial for nations' socio-economic development. Youths are among the most crucial assets countries need to have for youths to bring about prosperity (Msigwa and Kipesha, 2013). Thus, Urdal (2012) shows that large youth populations— youth bulge—are sometimes linked to outbreaks of violence. According to him, demographic trends and pressures are creating tensions that lead to the outbreak of low-intensity conflict such as protests or riots, or more organized political upheaval and internal armed conflict. Besides, if the labor market cannot absorb a sudden surplus of young job-seekers, a large pool of unemployed youths will generate strong frustration. The socioeconomic problems associated with youth bulges may provide fertile ground or recruitment to terrorist organizations

In Ethiopia the estimated urban population accounted for 17,630,393 of the total population and 1,509,227 urban unemployed population of the country (CSA, 2016). Ethiopia's youthful population is an incredible asset and untapped resource for positive growth. From the total population of the country, more than 30 percent is aged 15 to 29. The youth labor market is of particular concern in Ethiopia due to a high proportion of youth in the demographic profile. There is a belief that more youth in the population create difficult pressures on the labor market and a growing youth population can have important long run implications on youth unemployment. If youth unemployed feelings of being socially excluded and financially marginalizing make youth people more vulnerable to recruitment by extremist groups. This evidence leads any rational body to identify microeconomic determinants of youth unemployment.

Furthermore, previous studies in another town have been conducted on determinant of youth unemployment (Amanuel, 2016; Asalfew, 2011; Astatike; 2003; Aynalem and Mulugeta, 2016; Beshir, 2014). Those studies tend to concentrate on the incidence of youth unemployment in Addis Ababa and northern part of our country, but less explored in the literature at least in the context of southwestern part of our country. Some of the studies are used descriptive and another used econometric model and their studies results are not consistent, for instance according to (Aynalem and Mulugeta, 2016; Amanuel, 2016; Tegegne, 2011) education, migration and marital status has positive and significant relation from youth unemployment but in (Asalfew, 2011; Dejene et al., 2016; Peace et al., 2015) study show that education, migration and marital status has insignificant relation from youth unemployment, so this needs further study depend on the situation of the area.

Bench-Sheko zone is one of the zones in South Nation Nationalities and people regional state with a total population of 653,270. Out of this population, 31 percent were youth (Bench-Sheko zone youth and sport office, 2018). Like other towns of the country, Bench-Sheko also manifests the problem of youth unemployment. The facts displayed that youth population is one of the segments of the town population affected by the problem. Currently, the study focused on south western part of Ethiopia that is Bench- Sheko zone. This evidence furnish for the researcher, as a find out about on demographic and socio economic determinants of youth unemployment in some selected town, moreover at zone level there is no well-organized research with respect to this study. Previous factors affecting youth unemployment in another area may or may not be a factor for this case area. So, the researchers want to identify the factor which affects youth's unemployment in Bench-Sheko zone because shipping out analysis in such a way leads to defective conclusions, plus of that the researchers does not accept the existence of one universal truth rather it depends on the practical experience of the situation. This evidence provide for the researcher, to conduct a study on determinants of youth unemployment in Bench-Sheko zone.

For this reason, motivated primarily with the theoretical as well as empirical departures and limited literatures on the particular subject of this study complemented with the already raised shortcomings of previous studies and other special considerations discussed in this section have provided further impetus for this study. Finally the study rise one research question .i.e. what are

the main demographic socio economic determinants of youth unemployment in Bench –Sheko zone?

### **1.3. Objective of the study**

#### **1.3.1. General objective of the study**

- To assess a factors which affect urban youth unemployment in Bench-Sheko zone: SWE

#### **1.3.2. Specific objective of the study**

- To assess the pattern of youths in the study area.
- To assess the general characteristics of youths in study area
- To identify the main determinants of urban youth unemployment in the study area

### **1.4. Significance of Study**

The study adds value to the stock of knowledge by showing the relationship between youth unemployment and sex, age, marital status, educational category, work experience, information availability, availability of credit, migration status, economic level of family, inadequate business skill and peace and security in the town. Only few researchers did research particularly towards on it, yet it may only consider as an introduction towards youth unemployment of Bench-Sheko zone. A lot has been done regarding micro level determinants of youth unemployment throughout the world, but Ethiopia's share in the literature is low. Examining the relationship among microeconomic variable is very important for the reason that it provides useful information on which variable that the local government and relevant authorities need to control in order to attain the desired level of the targeted variables. The relationship between youth unemployment and microeconomic determinants has significant implications on the state of the economy. So, this study may provide elaborated ideas and important guidance for policymakers, economists and researches those who are great deal of interest on youth unemployment. Moreover, Ethiopia's government has aims to reach lower-middle income status by 2025. To continue Ethiopia's successful path towards becoming a middle income country, the result of the research may use as input to achieve this objective as a general and particularly it will have its own implication for the town. Even, bearing in mind the result of this research output also very important in order to evaluate the second Growth and

Transformation Plan (GTP II) aims. Based on this, future researches may obtain variables which affect greatly towards youth unemployment to predict its rate somehow in Bench-Sheko zone.

## **1.5. Scope of the Study**

In this research we are focusing on determinants of youth unemployment using logistic regression model. By considering, business advising service, availability of credit, Participation in a work for which one has received a payment or profit before this time, marital status, gender, work preference, education level and family income considered as an independent variables. Moreover, the study area is delimited only Bench-Sheko zone. On this study we have used four cities as a sample which has high youth unemployment. Every explanation on this study is by considering any related primary and secondary data which exist nationally or international up to 2021 only.

## **1.6. Organizations of the Paper**

There are five chapters to be discussed in this research. Chapter one provides the general introduction about the whole report. Chapter two describes the review of related literatures. Chapter three provide detail description of the methodology employed by the research. Chapter four contains data presentation, analysis and interpretation. Chapter five focuses on the summary of major findings, recommendations and policy implication of this research for the sake of future researches.

## **CHAPTER TWO**

### **REVIEW OF RELATED LITERATURES**

#### **2.1. INTRODUCTION**

The researcher explained and discussed in the previous chapter regarding on the research background provided with the related issues of the research, research question, research objectives, hypotheses and importance of this study. Hence, by referring to the above information, relevant theoretical framework and empirical studies would be further discussed to support the research in current chapter. Empirical studies are mainly literature review that done by former researchers on the study chosen which are the factors which give impacts on the youth unemployment.

#### **2.2. Theoretical Literature Review**

When the economies of many countries are on the verge of crises, youth unemployment can be one of the indicators of the complication of the socioeconomic situation of the government. It affects almost all segments of society, ranging from students to retired senior citizens. Therefore youth unemployment is an important economic indicator which can help to identify the weaknesses or the power of certain countries economic economy (Nasridini and Behrooz, 2015). High youth unemployment is one of the most important indicators of the economic situation in the country. Additionally it is a socio-economic phenomenon, in which part of the labor force is not engaged in the production of goods and services. In actual economic life, just like a general unemployment, youth unemployment also appears as an excess of supply of labor over demand on it (Malika et al., 2017).

Young people are defined as persons aged 15 to 24; however, countries vary somewhat in their operational definitions. In Ethiopia, according to the national youth policy, youth include part of the society who is between 15-29 years (Jeni, 2005). Youth unemployment is the most widely used indicator of the well-being of a labor market in a given area and an important measure of the state of an economy in general. Internationally community defines unemployment according to a resolution of international labor organization in 1982. One can only be called as unemployed if he or she is: without work, that means he or she was not in paid employment or self-

employment during a particular reference period; currently available for work, that means he or she was ready for a paid employment or self-employment during the reference period; Seeking work, that means he or she had taken specific steps in a specified recent period to seek paid employment (ILO, 1982). Unemployment rate is defined as the percentage of the labor force that is unemployed, which can be indicated as:

$$\text{Unemployment rate} = \frac{\text{unemployed population}}{\text{labor force}} \times 100\% \dots\dots\dots 2.1$$

According to definitions used by the United Nations and the ILO, youth are defined as persons 15–24 years of age. The indicator consists of four distinct measurements, each representing a different aspect of the youth unemployment problem. The four measurements are: first, Youth unemployment rate (youth unemployment as a percentage of the youth labor force), second, Ratio of the youth unemployment rate to the adult unemployment rate; third, Youth unemployment as a proportion of total unemployment; and fourth Youth unemployment as a proportion of the youth population (KILM, 2016). Therefore, based on the first measurement youth unemployment rate is:-

$$\text{Youth unemployment rate (YUR)} = \frac{\text{youth unemployment}}{\text{youth labor force}} \times 100\% \dots\dots\dots 2.2$$

## 2.3. Cost of youth unemployment

### 2.3.1. Economic cost and Social Cost of youth Unemployment

Idle human resources was a loss of goods and services and therefore a loss of real income that unemployed resource. This could have been contributed to the society’s wellbeing. The economic cause of this cost contribution of goods and services in the economy is measured as the difference between what may be produced full employment and what is produced at less than full employment. Loss incomes or without income, the head of family cannot play the role in which he /she was and family suffers from economic and social dependency and important family ties may be in danger. During unemployment person loses self-respect it is more likely to suffer from related illness. There also some evidence that higher unemployment leads to increased crime and reliance (Bikse, 2015). Moreover, the effects are associated due to unemployment in general and youth unemployment in particular has the following problem. Loss of output due to the economy unemployed could be produce goods and service that the country needs to have. Loss of taxes revenue- unemployed people are not earning and they are not paying tax. The government has

lost out. Increase in government expenditure: the government has to payout benefits to support the unemployed. Along with the loss of tax this is a double whammy. Loss of profits: with higher employment firms are likely to do better and make better profits. If they make less profit because of unemployment, they may have fewer funds to invest.

## **2.4. Theories of Unemployment**

After over viewing definition and various types of unemployment, now we look its related issues. It is known that, unemployment is sensitive to the changes in economic and social environment. In the following section, we will highlight several issues related to the macroeconomic determinant of unemployment; there is no single matching model could explain about unemployment. In related to the Walrasian model, full employment is said to happen in a homogeneous market expected. In other way round, there should be no unemployment. However, the actual labor markets differ from a Walrasian market, due to heterogeneity of workers and jobs, with one additional emphasizes i.e. Micro-economic imperfections that lead to imbalance between demand and supply in the aggregate labor market, Therefore, Walrasian labor market does not provide strong and evidence information (Jeffrey, 2010).

### **2.4.1. Classical Unemployment**

Real-wage unemployment occurs when real wages designed for a job are set beyond the market-clearing level, this causing the number of job-seekers to go beyond the number of vacancies. Many economists have argued that unemployment increase with increased governmental regulation. For instance, minimum wage laws raise the cost of some low skill laborers above market equilibrium, resulting in increased unemployment as people who wish to work at the going rate cannot. Like that of cyclical unemployment, but not because of deficient aggregate demand but because real wages are higher than the market-equilibrium wage. The going wage rate deters employers from hiring all of the available workers, because the marginal cost of hiring labor would exceed the marginal revenue product of the labor employed. Increasing the flexibility of wages to make the labor market more like a financial market can reduce this type of unemployment Gali (2013).

#### **2.4.2. Keynesian Theory of Unemployment**

Keynesian economists notice the lack of demand for jobs as potentially resolvable by government interference. For this one suggested interventions involves deficit spending to boost employment and demand. Interference involves an expansionary monetary policy that increases the supply of money which should trim down interest rates which should lead to an increase in nongovernmental expenses (Harris, 2005). The Keynesian analysis focuses on the recovery policy through demand; the common belief of most economists is that unemployment will be decreased automatically since the economic growth is high. Another liberal view focuses on the supply, which is by supporting the cost effectiveness and profitability of projects. However, it is noticeable that there is significant correlation between growth and changing rate of unemployment. High rate of economic growth indicate the need for additional labor market. On the other hand, recession indicates increase the unemployment rates due to los in job.

#### **2.4.3. Marxian Theory of Unemployment**

It is in the very nature of the capitalist mode of production to overburden some workers while custody the rest as a reserve army of unemployed paupers (Marx, 1863). For Marx, unemployment is inherent within the unstable capitalist system and periodic crises of mass unemployment are to be expected. The function of the working class within the capitalist system is to provide a "reserve army of labor" that creates downward pressure on wages. This is accomplished by dividing the working class into surplus labor and unemployed. Marx (2009), this reserve army of labor fights among themselves for scarce jobs at lower and lower wages.

#### **2.4.4. Okun's Theory**

The demand sides have to grow sufficiently quickly to absorb not only the growing labor force but also the workers made redundant by increased labor productivity. Okun (1962) examined the relationship between the employment rate and the economic growth for the postwar years in the United State. In his estimation, he showed that 3% increase in real GDP was associated with a one percentage point decrease in the rate of unemployment. Basically, the Okun's law states that if GDP grows rapidly the unemployment rate decline, if growth is very low or negatives the unemployment rate remains unchanged.

#### **2.4.5. Population Growth Theory**

According to Malthus (1798), Population always increases when the means of subsistence increase, unless prevented by some powerful checks. Moreover, he implied that there are two types of checks which can keep population on a level with the means of subsistence. They are the preventive and a positive check. The problem of employment was the extent to which a nation's labor supply was not matched by labor demand or job opportunities. Population was thus a supply factor, and the country's economic situation was a demand factor. Therefore, high population growth increases unemployment rate of an economy, this is contrary to optimist view. However, Population growth leads to age of high mass consumption. According to Rostow as shown in his stages of Economic growth, i.e. during take-off stage when the growth of population was high, net investment rate rose by 5-10 percent of national income. These indicate that the increase in the effective demand for their products led to the development of leading sectors.

### **2.5. Human Development and youth unemployment**

According to Becker (1993) argues that, for individual's human capital development, training and education are the most important investment to be made, because the return to training investment can be envisaged in the form of higher income, effective deeds, improved health and acquiring better career positions. The human capital developed from work experiences and competency development, may contribute to higher earnings, better chance of promotions and acquiring better position. In his earlier work on investment in human capital analysis Becker found out that among other things, individuals' earnings positively related to the level of skills they possessed, and the probability of unemployment for individual is tend to be negatively correlated to the level of skills acquired (Becker, 1962).

### **2.6. Migration and Youth Unemployment**

In Africa the magnitude of rural-urban has greatly exceeded the capacity of the modern industrial sector to absorb the migrants so that it can only employ productively a small portion of them. Part of the problem relates to the nature of the Africa industrialization process itself, a process

that has typically failed to produce growth of job opportunities at anything near the rate of output (Jiong, 1994).

Todarro indicated three factors that are contributing for high rural urban migration in developing countries. These are demographic factors, educational and economic factors. Firstly, the described demographic factors, urban migrants in LDCs tend to be young men and women between ages 15 and 24 because young people generally seem-in prefer non-farm jobs, most of which are to be found in urban areas, the second factor that has been mentioned is educational characteristics. One of the most consistent find of rural migration studies shows positive correlation between educational facility attainment and migration.

## **2.7. Empirical Evidence on Determinants of Youth Unemployment**

Aynalem and Mulugeta (2016) identified and examined the demographic and socio-economic determinants of urban youth unemployment at East Gojjam Zone of Amhara Region. The study found that 48.1% of the respondents are unemployed while 51.9% of them are employed. In the case of inferential analysis binary logit model was used. Hence, Variables such as age, work experience, skill match, social network and family prosperity are identified as negative and significant determinants of urban youth unemployment. Moreover, education and migration status of urban youths affected youth unemployment positively and significantly.

According to (Nayak, 2014) this study describes the nature of unemployment among young men in urban Ethiopia. The main objective of the study was to determine the causes of unemployment, affecting socio-economic of condition of youth in Gondar town, a case of Azezo Demaza Kebele (Block) in Ethiopia. The primary data was collected from unemployed youth in Gondar town, a case of Azezo Demaza Kebele (Block) in Ethiopia. The study used random sampling technique in the data collection. The sample constitutes 50 individuals from that locality. The study result reveals that the majority of youth (82 percent) search for job from 1 to 4 years. During the long period of searching of job, unemployment increase the related problem also extended. According to the assessed data 78 per cent of the total respondents pass their time

by chewing chat smoking cigarette, drinking alcoholic beverages and other related activities. And 69.23 percent of respondents are users of drugs on result of unemployment.

The study by Adesina (2013) on the basis of youth in Umuahia city in Nigeria, finds that unemployment is influenced by age, marital status, dependency ratio, education, current income and employment preference (paid or self-employment). Alhawarin and Kreishan (2010) also indicate that age, gender, marital status, region, work experience and educational level are the major determinants of unemployment in Jordan.

Studies with world bank indicate that the potential causes of unemployment in urban Ethiopia include increasing number of youth labor force, the rising internal migration, literacy rate, poor to modest macroeconomic performance, low level of job creation and low level of aggregate demand in the economy (WB, 2007). Youth unemployment is the outcome of different socio-economic and demographic factors at macro and micro level. The micro level factors are directly associated to individuals' demographic and socioeconomic attributes while the macro level factors are related to the national issues (Toit, 2003). This study emphasizes on assessing individuals' demographic and microeconomic attributes that influence youth unemployment.

Dejene et al (2016), used the binary logistic regression to assess the determinants of youth unemployment at Ambo, Ethiopia. Their result showed that among the demographic variables, age of the respondents and migration status were significantly related to youth unemployment whereas marital status of the respondents was not significant. From the human capital variables included in the model, education and health status of the respondents were significantly related to youth unemployment, whereas participation in employment related trainings was not statistically significant. Among the economic determinants, household income, access to credit and saving services and work experience were significant. Access to job information and psycho-social factors were the two social capital variables that were significantly related to youth unemployment. As youths are more vulnerable to unemployment, efforts should be made by the government to provide credit and training so as to facilitate their entry into business and entrepreneurship. Migrants are the victims of unemployment in town.

Therefore, the pushing factors of migrants should be identified to arrest the continuous drift of youth towards urban areas as this may worsen the unemployment situation in urban areas.

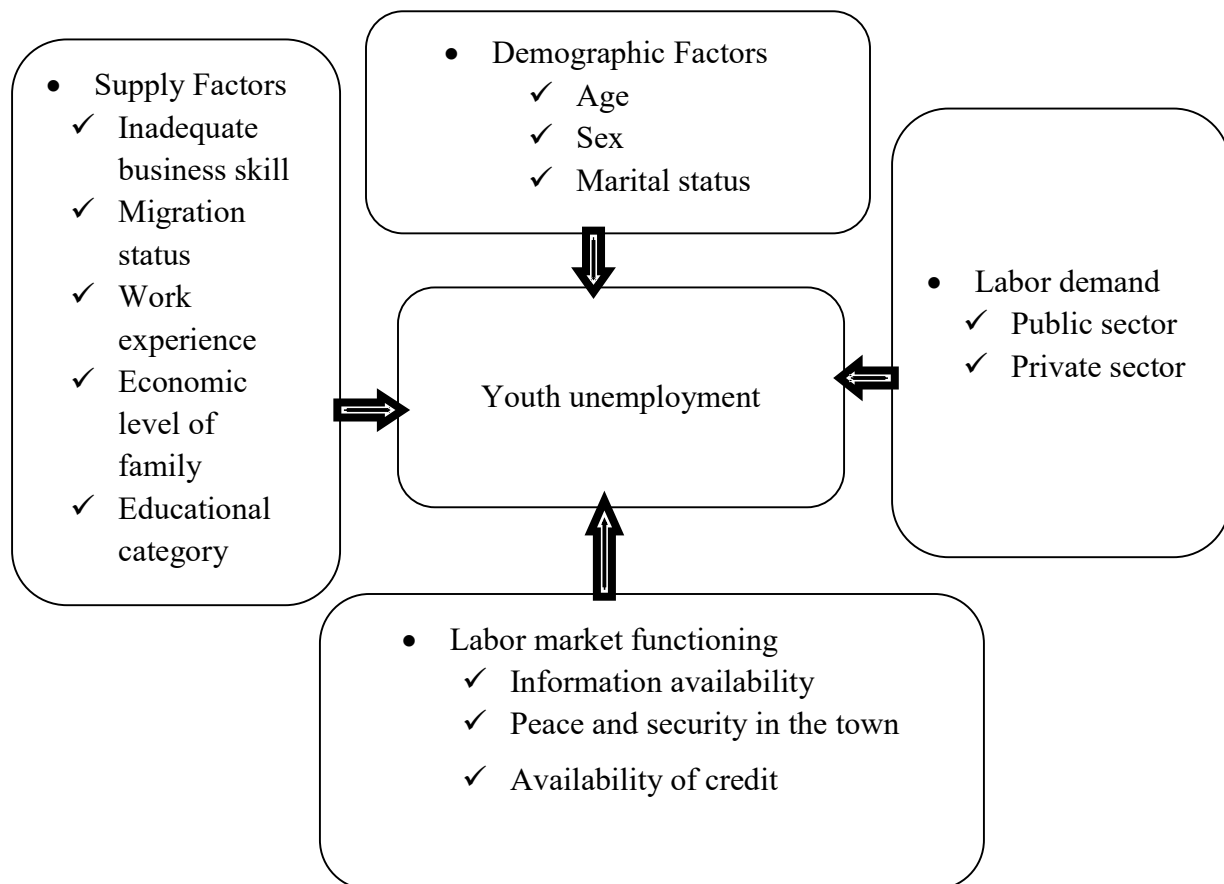
Peace et al (2015) employs the micro level data from urban employment unemployment survey conducted between 2006 and 2011 by Ethiopian central statistics authority. The study mainly applies logistic regression model to examine the relationship between urban youth unemployment and a set of explanatory variables. The Study reveals that the prevalence of urban youth is still high as compared to the total unemployment rate though the urban youth unemployment decreased between 2006 and 2011. The situation is very critical for young women who suffer higher unemployment rates than young men in urban areas of the country over the study period. The logistic regression model shows that place of residence (regions), gender, age categories, and marital status significantly affect the urban youth unemployment in Ethiopia. Surprisingly, education did not guarantee the employability of youth in urban areas of Ethiopia.

Amanuel (2016) identifies and describes the determinants of youth unemployment in Ethiopia. The study sampling technique was multistage stratified cluster sampling. The study is made based on the 2011 Ethiopian Demographic and Health Survey (DHS) which was conducted by Central Statistical Agency (CSA) of Ethiopia. The study results showed that revealed that about 10.4% of the youth are unemployed while 89.6% are employed. The regional variations, access to electric power, age, gender, access to market information, economic status of their families and youth's educational level are found to be the significant determinants of youth unemployment in Ethiopia.

The above empirical studies conformed significant positive and negative impact of microeconomic variables on youth unemployment. Hence, taking the above literature's as a hint and base line, this study empirically investigates the impact of microeconomic variables on youth unemployment in Mizan-Aman town by using logistic regression model.

## 2.8. Conceptual Framework

This chapter presented the results of studies conducted by researchers on the issue of determinants of youth unemployment. It pinpointed and explained aspects of the determinants of youths that could lead to employed or unemployed. These factors included demographic factors, labor demand factors, supply factors and labor market functioning. The factors included are presented in the figure below.



**Figure 2.1: Conceptual Framework of Youth Unemployment**

Source: Authors

## **CHAPTER THREE RESEARCH METHODS**

### **3.1. Type and Source of Data**

In order to carry out any investigate action data ought to be assembled from appropriate sources. Consistent and reliable research indicates that research conducted by using appropriate data collection instruments increase the credibility and value of research findings (Kothari, 2004). The sources of data for this research was be primary and secondary sources. The primary data collecting from selected respondents in the study area through structured questionnaire and interview of selective youth expertise, kebele leaders, community leaders. The questionnaire was designed in such a way that it could help the investigators to dig out detailed information on respondents demographic, social and economic characteristics. Moreover, secondary data also gathering from published and unpublished documents obtained from necessary institutions so as to generate additional information on the characteristics of youth unemployment in the study area.

### **3.2. Study Design**

A cross-sectional study design was employing to look for the factors affecting youth unemployment in Bench-Sheko zone, Southwest Ethiopia. The study was utilized cross-sectional in the sense that all relevant data collected at a single point in time. And obtaining information from a cross-section of a population at a single point in time is a reasonable strategy for pursuing many descriptive researches. In this study, a combination of qualitative and quantitative approaches of doing research was employed, which has been practiced. The target population is youths with their age found 15-34 years, this selection of year based on SNNPR youth and sport office (2009). This is also consistent from the African youth charter; the age of youth range is from 15-34.

### **3.3. Data Collection Techniques**

Depending on the nature and facts about data's of most developing countries, this study used predominantly a cross-sectional survey type; that is gathering from the sample through structured questionnaire.

#### **3.3.1. Structured Questionnaire**

Structured questionnaire was designed separately to collect data from each selected town, youth groups. Most of the items of the structured questionnaire are close ended with some partially open-ended items. The questionnaire, which is preparing and proofread, is translated in to the local language. Well-trained enumerators who was supervised by the researchers administer the questionnaire. It is commonly agreed that the collection of quality data to satisfactorily answer research questions and achieve the objectives. Hence, well-trained and highly motivated enumerators are recruited to carry out the survey. All the enumerators had have familiarity with the community and with the subject with basic academic capability and experience to discharge their responsibility effectively. It is certain that the enumerators can effectively understand the socio-cultural context and well communicate to avoid cultural and linguistic barriers. During this time, detailed information collecting from the respondents. A re-visiting also made to a number of youth unemployed to insure the reliability of data.

#### **3.3.2. Sampling Methods**

Since, it is easy for researcher to collect data and gather necessary information at a least cost; as well to observe additional information and plus to that youth level in Mizan Aman, Temenja Yazi, Debrework and Siz, is high when we compare from other towns which exist in the Bench-Sheko zone. From each town, youth data was collected. Finally, youth was selected using systematic random sampling procedure. The sampling youth are prepared by discussing with kebele administrator and community leaders in each town which is consider under this study.

#### **3.3.3. Sample Size Determination**

To select the suitable test estimate required from add up to of youth unemployment within the think about ranges; the following sample size determination formula is used. The total registered youth population of town selected is 21884. There are several formulas developed for sample

size determination that conforms to different research situations. The sample size for this study determines by using the extensive formula described as follows (Yamane, 1967) which cited in Meron (2007).

$$n = \frac{N}{1 + N(e^2)} \dots\dots\dots 3.1$$

$$n_i = \frac{21491}{1 + 21491(0.0025)} = 393$$

Where;  $n_i$  = the sample size of the study,  $N$ = total number of youth in the selected town,  $e$  = margin of error= 5 % = 0.05, and  $1$ = designates the probability of the event occurring. By using the above formula the sample size for the study is 393. Thus, a sample of 393 youth was included in the study. To capture the representative sample from each town, the researchers use probability proportion from the total youth unemployment. By any means increasing the sample size above the threshold is not considered as a limitation of any study, so we are used 401 total sample.

**3.3.4. Data Analysis**

The primary and secondary data obtained from respondents and documents respectively processed, classified and tabulated. Consequently, a combination of different statistical techniques such as percentages, frequencies, Chi-square, cross-tabulation and logistic regression was used to adequately address the objectives of this research and come up with critical findings, conclusion, and recommendations. For analysis of regression and descriptive, we are utilizing STATA v.15.

**3.3.5. Ethical Considerations**

Whereas conducting investigate, it is critical to consider the basic moral issues. Before starting to conduct the study, permission was assured from the selected study areas administration. By elaborating the purpose of the study, consent guaranteed from each respondent. Ethical considerations seriously taken into account so that the concern, integrity, consents and other human elements of the participants are protecting. Essentially, data collectors are telling to respondents the purpose of the study prior to responding to the questions. They assured that any information concerning them never be passed to other unauthorized persons or institutes without

their consent and cannot be used for other purpose outside this research (Ayalew, 2015). The selecting study participants was requested kindly whether they agree to participate in the study or not.

### 3.4. Model Specification

This study uses econometric approach for modeling determinants of youth unemployment in four towns; this is known as logistic regression. Benefits of logistic regression; we can know effectively model probability as a function of X variables, we do not worry more about violations of OLS assumptions and predictions fall between 0 and 1. It gives quite similar result from the standard normal, other than in tails and except in case where the sample in which the proportion  $y_i = 1$  or the proportion  $y_i = 0$  is very small (Baum, 2006). Hence, with regard to the benefits of binary logistic regression model; this study applied binary logistic regression model to identify the determinants of youth unemployment in Bench-Sheko zone.

In the logistics model the probability of success written as follows:

$$\text{Probability of success} = P(Y=1) = \frac{e^{\beta_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \beta_3 X_{3i} + \dots + \beta_n X_{ni}}}{e^{\beta_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \beta_3 X_{3i} + \dots + \beta_n X_{ni}} + 1} \dots\dots\dots 3.2$$

$$\text{The probability of failure} = P(Y=0) = 1 - P = 1 - \frac{e^{\beta_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \beta_3 X_{3i} + \dots + \beta_n X_{ni}}}{e^{\beta_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \beta_3 X_{3i} + \dots + \beta_n X_{ni}} + 1} \dots\dots\dots 3.3$$

An alternative form of the logistic regression equation is the logit transformation of P given as follows:

Logit odd ratio =  $\frac{P}{1-P}$ , The logistic odd ratio measures the probability that Y = 1 relative to the

probability that Y= 0. Let  $U = \beta_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \beta_3 X_{3i} + \dots + \beta_n X_{ni}$  then  $\frac{P}{1-P} = e^U$ . By taking

the natural logarithm of both sides, we find logistic regression model for success.

$$\ln\left(\frac{P}{1-P}\right) = \ln e^u, \text{ then let } \ln\left(\frac{P}{1-P}\right) = L. \text{ Finally: } L = U$$

$$\text{I.e. } L = \beta_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \beta_3 X_{3i} + \dots + \beta_n X_{ni} \dots \dots \dots 3.4$$

The dependent variable is youths and it is dichotomies or dummy variable; which became 1 if Benck-Sheko youths are unemployed and (0) otherwise (individuals who are entrepreneurs or work with entrepreneurs). The study slot in business advising service, availability of credit, participation on work which has payment or profit, marital status, gender, work preference, education level and family income considered as an independent variables, those variables are hypothesized as determinants of youth unemployment, this selection is done keeping in consideration the importance of each variable and the past studies conducted in this respect. The remaining variables are explained on table 3.1.

**Table 3.1: List, Description and Categories of independent Variables.**

Variables	Description	Categories	Reference	Expected sign
Gen	Sex of respondent	If male =1 and 0 = female	0	+/-
MAS	Marital status of respondents	1= married and 0 = unmarried	0	+/-
EDUC	Education level	0(illiterate),1(primary schooling(1-8)), 2(secondary schooling(9-12), 3(above secondary education)	3	+/-
Parti	Participation in a work for which one has received a payment or profit before this time.	1 = not Parti and 0 = parti	0	+/-
AVAC	Availability of credit	1= opportunity to get credit and 0 = no opportunity to get credit	0	+/-
JP	Job Preference	1 (preferring paid employment), 0(self-employment)	0	+/-
ILHH	Income level of family	(0) less or equal to 500 birr, (1) 501-1000 birr, (2) 1001-1500 birr, and (3) above 1501 birr	3	+/-
GBAS	Getting of Business advisory service	1(not received business advisory services, (0) otherwise	0	+/-

### 3.5. Estimations of parameters

One of the goals of this research is to estimate parameters, the most commonly used method of estimating logistic regression parameters is method of Maximum Likelihood (MLH). The

method of MLH yields values for the unknown parameters which maximize the probability of obtaining the observed set of data. The maximum likelihood estimators of these parameters are chosen to be those values that maximize this work. We describe how to find these values from the logistic regression model.

$$L(\beta | Y) = \prod_i^n p(y_i = 1 | X_{i1}, \dots, X_{ik}) = \prod_i^n \left[ \frac{e^{xi\beta}}{1 + e^{xi\beta}} \right]^{y_i} \left[ \frac{1}{1 + e^{xi\beta}} \right]^{1 - y_i} \dots\dots\dots 3.5$$

Where,  $Y_i = 0$  or  $1$  and  $i = 1, 2, 3, \dots, n$

The maximum likelihood (MLH) estimates of the parameters  $\beta$  are obtained by maximizing the log-likelihood (LLH) function which is given by:

$$\log L(\beta | Y) = \sum_{i=1}^n \left\{ y_i \log \left[ \frac{e^{xi\beta}}{1 + e^{xi\beta}} \right] + (1 - y_i) \log \left[ \frac{1}{1 + e^{xi\beta}} \right] \right\} \dots\dots\dots 3.6$$

### 3.6. Checking Model Goodness Fit

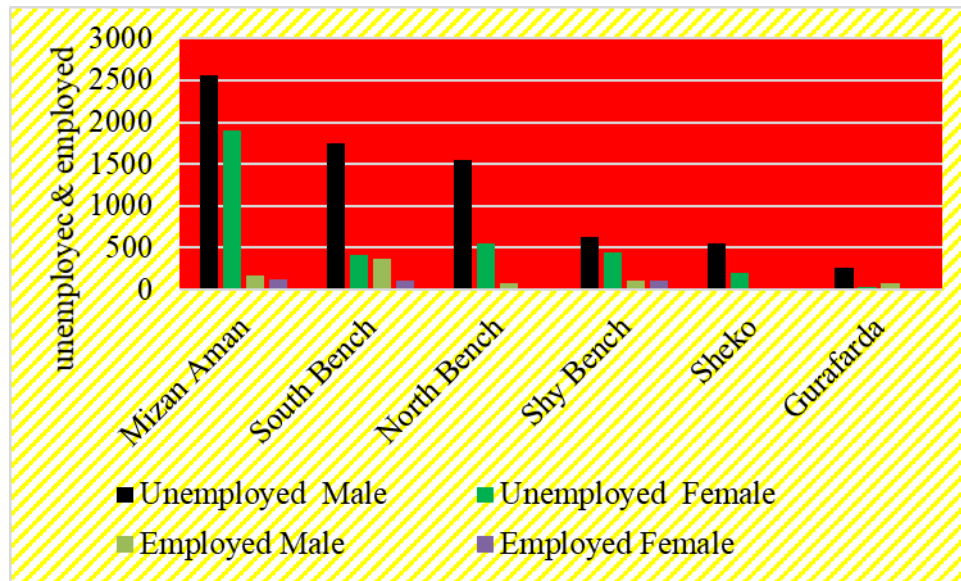
So, after fitting the logistic regression model or once a model has been created through the different steps in evaluating the coefficients, there are several methods involved in surveying the fittingness, ampleness and convenience of the model. First, the importance of each of the explanatory variables was assessed by carrying out statistical tests of the significance of the coefficients. Then the overall goodness of fit of the model tested (Agresti, 2002). Hosmer and Lemeshow Goodness of fit Test is the most commonly used measures of goodness of fit for categorical data (Hosmer and Lemeshow, 1989).

## CHAPTER FOUR RESULT AND DISCUSSION

### 4.1. The pattern of youths in the study area

Ethiopia faces a major policy challenge in reducing unemployment in general and youth unemployment in particular. Ethiopian demographics, like many countries on the continent, are characterized by a high percentage of youth, 72% of whom are under 30 years old. This study, however, focuses on youths between the ages of 15 and 34 who are recorded according to region. Our discussion here covers the pattern of male and female youths engaging in enterprise and being unemployed from 2011 to 2013.

**Figure 4.2: Youth patterns in the study area (2011 E.C)**



As shown in figure 4.2, male unemployment is higher than female unemployment in all sampled cities and districts. Mizan Aman has 57.5% male and 42.5% female unemployed. Youths in this town participate in enterprise at a rate of 58.9% for males and 41.1% for females. The researchers conclude that in Mizan Aman town during 2011, there was a high number of males unemployed and a low number of females engaged in enterprise. Of the total unemployed in South Bench, 80.8% are men and 19.2% are female. The male share of total enterprise participants is 78.5% and the female share is 21.5%. Male unemployment is high in South Bench, and females have a low likelihood of engaging in business activities. During 2011, 73.5%

of the unemployed in North Bench were male and 26.5% were women. The percentage of male participants in the enterprise is 79.2%, while the percentage of women participants is 20.8%. Despite the high chances for enterprise for males, there is a high percentage of unemployed males and a low percentage of female participants in North Bench enterprises.

Shy Bench had 58.6% male unemployed and 41.6% female unemployed in 2011. A total of 50.2% of men and 49.8% of women engage in enterprise activities. As a result, in Shy Bench, male unemployment is greater than female unemployment, and enterprise participation is almost equal. The percentage of unemployed males in Sheko in 2011 was 73.3% and the percentage of unemployed females was 26.7%. It is estimated that 76% of males and 24% of females have an opportunity to participate in enterprise activities. Gurafarda has an unemployment rate of 87.5% for men and 12.5% for women. In terms of enterprise participation, 78.8% are male and 21.2% are female. So, by 2011 there was high unemployment in Sheko and Gurafarda. Again, there is a low level of female participation in enterprise.

**Figure 4.3: Youth patterns in the study area (2012 E.C)**

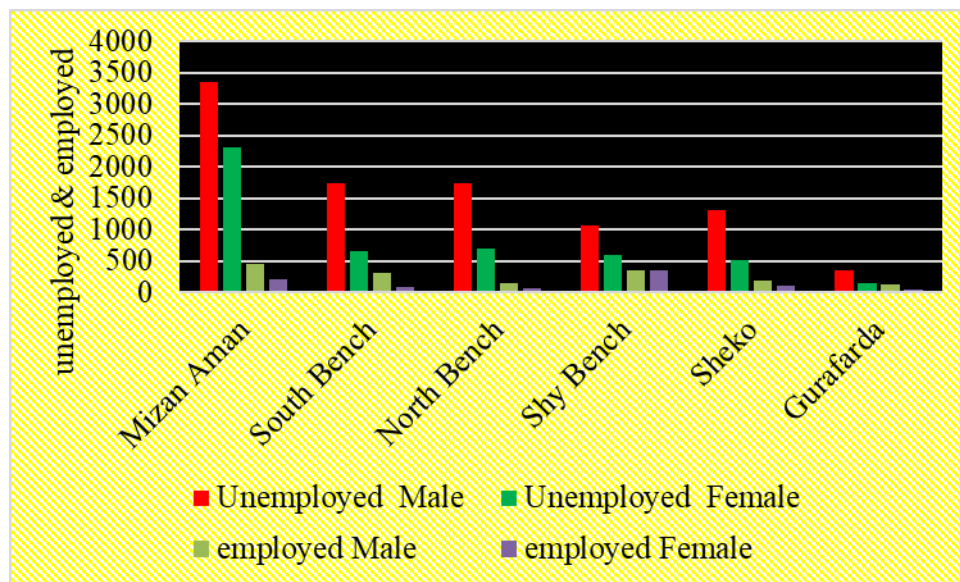
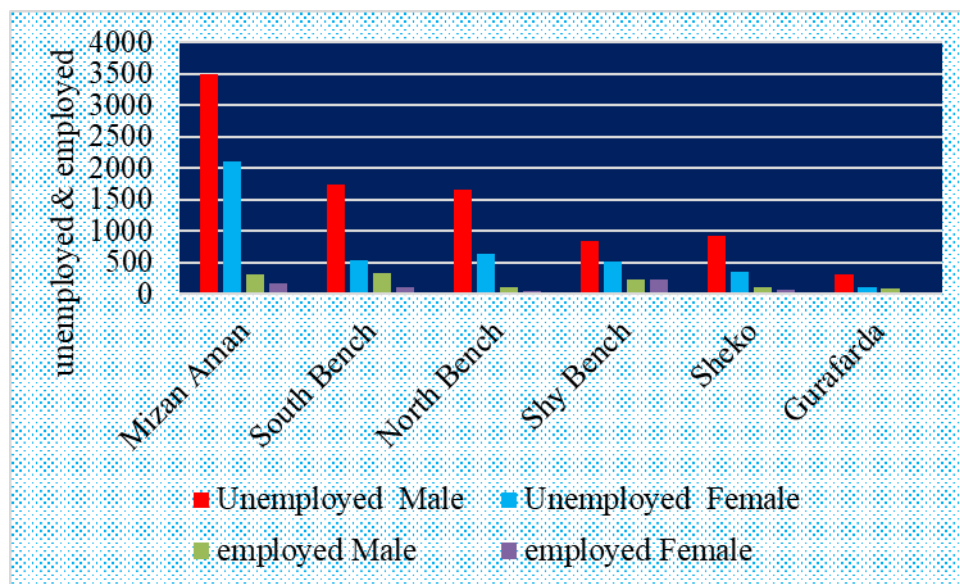


Figure 4.3 shows that male unemployment is high in all sampled cities and districts. Furthermore, males have a better chance of engaging in entrepreneurial activities than females. From the total recorded in Mizan Aman, 62.4% of men and 37.6% of women are unemployed. Out of the total recorded enterprise data, 69.8% of men and 30.2% of women participate in enterprise activity. 83% of males and 17% of females in South Bench are unemployed. 77.5% of

males and 22.5% of females engage in enterprise activity. Out of the total recorded unemployment in North Bench, 71.6% are males and 28.4% are females. From the total, 68.7% of men and 31.3% of women have an opportunity to engage in enterprise activities. As of the total male and female unemployment figures in Shy Bench, Sheko and Gurafarda, 64.3% (35.7%), 72% (28%) and 70.6% (29.4%) are male and female respectively. Further, out of the youths who participated on enterprise, 49.3% (50.7%), 65% (35%) and 76.2% (23.8%) were male and female, respectively.

**Figure 4.4: Youth patterns in the study area (2013 E.C)**



Similarly to 2011 and 2012, men led in 2013 when it comes to unemployment and the same was true for enterprise opportunities. In Mizan Aman, South Bench, North Bench, Shy Bench, Sheko, and Gurafarda, the male unemployment rate is higher than the female unemployment rate, i.e. 62.4% (37.6%), 76.6% (13.4%), 72.4% (27.6%), 62% (38%), 72.5% (27.5%), and 76.7% (23.3%) respectively. Male participation in enterprise, with the exception of Shy Bench, is high, with 66.4% (33.6%), 78.9% (21.1%), 73% (27%), 49.4% (50.6%), 65.8% (34.2%) and 76.2% (23.8%) respectively.

Overall, males have better chances of engaging in business, however in the Bench Sheko zone male unemployment exceeds female unemployment. Females also have a low chance of participating in enterprise activities. In Bench Sheko Zone, men have been the most unemployed from 2011 to 2013. In spite of the fact that women are unemployed, they are less likely than men

to be unemployed. Additionally, men are more likely than women to be involved in entrepreneurship. Male unemployment dominates, but males are more inclined to participate in enterprise than females. Although more men than women participate, entrepreneurs are less likely to reduce unemployment. Therefore, the amount of enterprises that are being created is small and does not contain the growing youth unemployment in the zone. Women are less likely than men to own their own businesses or work with entrepreneurs, despite being less likely to be unemployed. It is consistent with AB (2016). Men are much more willing to take risks than women and also have an easier time making decisions. Men are more task focused and women are more relationship oriented. When it comes to financing, business men are much more willing to take risks and get outside financing than women.

Women's unemployment in Ethiopia in 2021 is much worse than males' at 25%, compared to 11% for males. In the urban areas the youth unemployment rate is very high at 23.1% in 2021. Compared to males, this is very high for females at 29% compared to 16% for males. According to this general picture, unemployment in the Bench Sheko zone is a serious problem. It is generally caused by a lack of job creation relative to labor force growth. Therefore, a zone needs to pay close attention to the challenge of unemployment and the related issue of creating jobs for youth. The reason is that it cannot only help alleviate the poverty that has engulfed the zone and the country. When neglected, it may threaten the peace and stability of society.

## **4.2. General characteristics of youths**

Unemployment, particularly among youth, represents one of the greatest global challenges. Youth entrepreneurship has the capacity to generate a multiplier effect. This is because young entrepreneurs are more likely to hire their peers and can lift other youth out of informality and working poverty. Youth unemployment is a concern in virtually every part of the world, but especially in developing countries. In addition to the discussion of the results at a later stage, the general characteristics of the respondents are crucial for the authenticity and generalization of the results. Therefore, this section provides respondents' information that should be considered crucial for discussions in this study, such as youth status, gender, age, marital status, business startup advice, education level, family income, credit facilities, job preference and participation in productive work (profit or not-for-profit).

### 1. Status of youths

From the total sample 74 (18.45%) and 151(37.66%) are females and males respectively are an opportunity to engage on enterprise or get a chance to work with an entrepreneur. Moreover, 78 (19.45%) female and 98 (24.44%) males are unemployed.

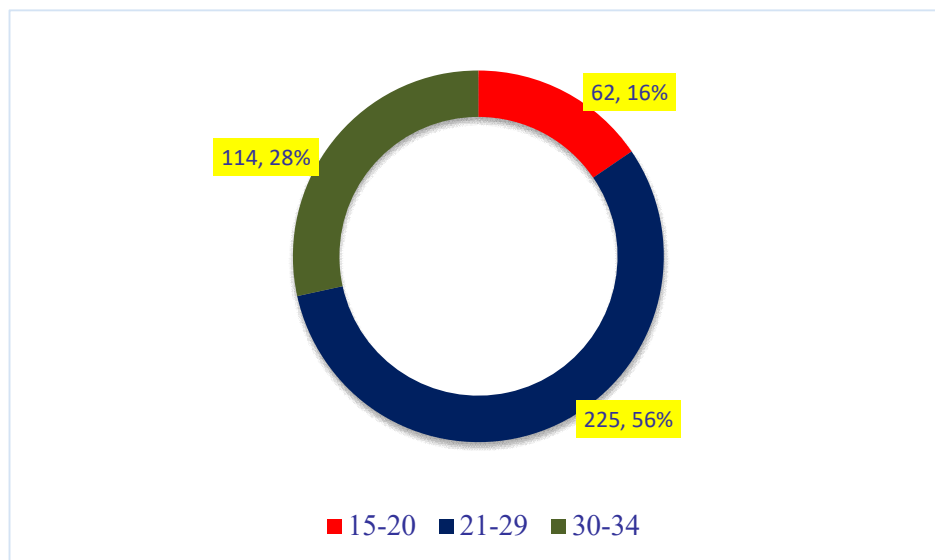
**Table 4.2: Status of youths**

Status	Gender		
	Female	Male	Total
Employed	74 (18.45%)	151 (37.66%)	225 (56.11%)
Unemployed	78 (19.45%)	98 (24.44%)	176 (43.89%)

### 2. Age of respondents

When we come to the age of respondents more of the respondents are found on the interval of 21-29, which accounts 56% for the collected data. The second also the individual those found between 30 -34 which accounts 28% and the last one is the age which found between 15 -20, it accounts 16% from the total sample.

**Figure 4.5: Age of respondents**



### 3. Gender of respondents

As the information indicates, age of respondents of is presented on the following table. From the total respondents 152(37.91%) females and 249 (62.09%) also male. This implies that male is more unemployed than that of female in Bench-Sheko zone. As the illustration indicates the

relationship between gender of respondents and youths status have a significant relation. The value of Chi-square test prove that there is a significant relation between gender and youths status.

**Table 4.3: Gender of respondents**

Gender	Freq.	Percent	Chi2	Probability
Female	152	37.91	5.4807	0.019
Male	249	62.09		

#### **4. Marital Status of respondents**

The data for marital status of respondents (married or not married) is presented on table 5. The result shows that 312 (77.81%) is not married and 89 (22.19%) also married. The result prove that not married youths are greater than married on Bench-Sheko zone. The association between marital and youths status is significant with Chi-square value (9.8153) and 0.002.

**Table 4.4: Marital Status of respondents**

Marriage status	Freq.	Percent	Chi2	Probability
Not married	312	77.81	9.8153	0.002
Married	89	22.19		

#### **5. Business startup Knowledge**

Business startup advice has great role for employment. As indicating on table 6, 176(44.36%) have business startup knowhow and 222 (55.64%) has no got any business startup advice. This data implies that more of the uses have no knowledge to start their own business. The knowledge used for startup businesses is associated with youth status. Moreover, 69% of youth need more organized advice on how to start a business, and 31% have business knowledge.

**Table 4.5: Business startup advice**

Advise	Freq.	Percent	Chi2	Probability
Yes	179	44.36	9.7639	0.002
No	222	55.64		

#### **6. Credit opportunity**

Majority of the respondents had not accessed credit opportunity as shown by 228 (56.86%). 173(43.14%) had accessed credit opportunity. The association between credit opportunity and

youth's status is significant. As table 4.6 indicates, the chi-square (42.4571) test confirmed that the association was statistically significant ( $P = 0.000$ ).

**Table 4.6: Credit opportunity**

Credit	Freq.	Percent	Chi2	Probability
No	228	56.86	42.4571	0.000
Yes	173	43.14		

More over the descriptive result showed that from the total individual who did get credit, 52% of them are unproductive. So, above half percent those who get credit opportunity in Bench-Sheko zone are unproductive. Providing credit opportunity alone cannot eradicate unemployment and increase an entrepreneur, its needs more other supplementary activities like avoiding bureaucracy, providing license, provide raw material, provide work place, etc. The following table 4.7 is summarized those issues other than credit descriptively. The respondents result showed that 45 (11.23%) have a problem of license, 97(24.19%) have a problem of raw material, 107(26.68%) have a problem of workplace. Lastly 152(37.90%) have problem of license, raw material and work place.

**Table 4.7: Factors other than credit**

Hinders other than credit	Frequency	percentage
License	45	11.23
Raw material	97	24.19
Work place	107	26.68
All	152	37.90

Youth are less likely to have exclusive ownership of workplace because of the lack of capital and unfavorable inheritance practices. Youths are face limited access to land (AgriFin Accelerate, 2019).

### **7. Education level**

Education level had a role on youth's status. As the table 4.8 indicates 46(11.47%) illiterate, 91(22.69%) primary, 147(36.66%) secondary and 117(29.18%) is above. More of the youth's education level is above secondary. Base on the Chi-square test the association between youth's status and education level is statistically significant.

**Table 4.8: Education level of respondents**

Level	Freq.	Percent	Chi2	Probability
Illiterate	46	11.47	23.7872	0.000
Primary	91	22.69		
Secondary	147	36.66		
Above	117	29.18		

### 8. Family Income of respondents

As indicates on table 4.9, level of family income and youth's status had a significant association. The total number of youths who lived with family income level  $\leq 500$  is 90(22.44%), for income level 501-1000 is 50(12.47%), for income level 1001-1500 is 164(40.90%) and for income level  $\geq 15001$  is 97(24.19%). Therefore, more of the youth's family income found between 1001-1500 income levels. Moreover, the association between youth's status and income level of youth's family was statistically significant.

**Table 4.9: Family income of respondents**

Income	Freq.	Percent	Chi2	Probability
$\leq 500$	90	22.44	28.5678	0.000
501-1000	50	12.47		
1001-1500	164	40.90		
$\geq 1501$	97	24.19		

### 9. Job Preference of youths

As table 4.10 indicates more of the uses are have an interests to start their own business rather than being paid worker. 253(63.09%) preferred to be private worker and 148 (36.91%) also preferred to be a paid worker. But here the association between job preference and youths status is not statistically significant.

**Table 4.10: Preference of respondents**

Preference	Freq.	Percent	Chi2	Probability
Self employed	253	63.09	0.3804	0.537
Paid employed	148	36.91		

### 10. Participation on productive work for profit or pay

As the table 4.11 indicates more of the uses are participated on work which have a payment or profit before their current status. 175 (43.63%) youths are not engaged on a work which have payment or profit. 226 (56.36%) youths are participated on a work which have a payment or

profit. But the association between youth's status and work for profit or payment before this time is insignificant.

**Table 4.11: Participation on productive work for profit or pay**

Participation	Freq.	Percent	Chi2	Probability
No	175	43.64	0.1978	0.656
Yes	226	56.36		

### **11. The source of youth's information about a job**

The availability and quality of information play a key role in the labor market, both for job seekers and for employers. The results of school-to-work transition surveys in Azerbaijan, Egypt, Iran, Kosovo, Mongolia, Nepal and Syria (Matsumoto and Elder, 2010) indicate that family and friends are the most effective channels for youth to obtain jobs. The use of informal networks and connections may be an efficient approach when employers find it difficult to assess the competencies of potential employees, or when there are no formal institutions facilitating short-term hiring. However, it does mean that young job seekers are unlikely to find work outside their own networks, which limits social and intergenerational mobility. Lack of information about job opportunities can contribute to skill shortages and mismatches, because youth are not well informed. As seen in table 4.12, more youths lack information about where jobs are located. Additionally, information about available jobs is gathered from friends, families, notice boards, kebeles, and social media, as well as walking into the center of town. Some of the respondent's belief that information regarding to the available job is asymmetric, there is unclear and unfair procedure.

**Table 4.12: The source of youth's information about a job**

Information to get job	Freq.	Percent
I have information	193	48
I have no information	208	52

### **12. Perception about private-public sector, peace and security**

We aim to understand youth's perception of the contribution of private and public organizations to reducing youth unemployment. Additionally, we are interested in the perception of youth about the state of peace and security in the town. In the low- and lower-middle-income countries of sub-Saharan Africa, the government and private sector have an imperative role to play in economic transformation and in addressing youth unemployment (Food-Business, 2018).

Government and the private sector make a small contribution to creating jobs for youth, according to the respondent. 73% of respondents believe the private sector and 67% believe the public sector both have a weak role in reducing youth unemployment.

Bench-Sheko is blessed with a dynamic, young and entrepreneurial population and an abundance of natural resources. A majority of respondents believe that there is “no problem with peace and security in the towns”. Accordingly, youths do not suffer from a lack of peace. If other conditions are favorable youths can create their own business.

When youth become out of work, they often engage in unethical activities like “crime”. Studies suggest that being a victim or a perpetrator of crime can generate negative labor market outcomes, including lower wages and longer and more frequent youth unemployment spells. This is because of decreased productivity and psychological costs. Weak job creation reduces economic opportunities for the young. They believe that this makes them more vulnerable to “victimization or gang membership”. This discourages investment through lower productivity, higher security costs and reduced competitiveness. When young youths are out of work and don't have a job, “they gamble, steal, and disturb the family”. “Youths leave their homes and move to another place”.

As a general the following inputs forwarded by respondents:-

“The industrial park should expand in the zone. Religious leaders should do what they can. When loans are facilitated, it is not for unemployed youth, but for those who have money. There are activities that exclude the unemployed youth, for example Kebele houses, oil and sugar are given to those who have income. Containers or sheds are given to people who have an income. The zone should facilitate loans to unemployed youth, benefiting only those who are actually unemployed. There is a problem with Kebeles not communicating correctly to higher bodies the information about the unemployed youth in Kebeles. Treating all unemployed youth equally, families should advise youths to become productive.”

“We don't get job opportunities based on an opaque system, a system based on relatives, friends and benefits. Not organizing associations properly and with quality, as well as improperly organizing. Not supporting existing enterprises, not understanding their problems, not creating a

favorable environment, weakening our competitiveness, not facilitating the market. The zone has potential wealth but has not been exploited for job creation. There are a few individuals who have organized more than one union to monopolize jobs and bring in workers who are not considered to be unemployed. The tenders issued are full of shams, the winner is pre-determined and others are lured to prevent them from entering at reasonable prices, so that many unions are forced out of business. The existing enterprise is becoming weak, hopeless, and unproductive due to current conditions. Unclear procedures weaken youth's efforts to engage in business.”

### 4.3. Logistic regression result

Marginal effects can be an informative means for summarizing how change in a response is related to change in a covariate. For categorical variables, the effects of discrete changes are computed, i.e., the marginal effects for categorical variables show how  $P(Y = 1)$  is predicted to change as  $X_k$  changes from 0 to 1 holding all other  $X_s$  equal. This can be quite useful, informative, and easy to understand. The marginal effect is the slope of the probability curve relating  $X_k$  to  $\Pr(Y=1|X)$ , holding all other variables constant.

**Table 4.13: The effect of predictor variables**

Variables	dy/dx	Std. Err.	z-value	P-value	[95% Conf. Interval]	
Busknow1	.0555497	.0445986	1.25	0.213	-.0318619	.1429613
creditopr2	-.4604487	.0545946	-8.43	0.000*	-.5674522	-.3534453
expir2	.0709126	.0498037	1.42	0.154	-.0267009	.1685262
married12	2.073578	159.9386	0.01	0.990	-311.4004	315.5475
gender2	-.3946682	.0703786	-5.61	0.000*	-.5326078	-.2567286
jobprefer2	.066136	.06472	1.02	0.307	-.0607128	.1929848
<b>Education level</b>						
illiterate	.220365	.0995539	2.21	0.027*	.0252429	.415487
Primary	.3673745	.0603093	6.09	0.000*	.2491705	.4855786
secondary	.1492506	.047437	3.15	0.002*	.0562758	.2422253
<b>Family income</b>						
1001-1500	-.6575661	.067348	2.49	0.000*	.0354723	.2994718
501-1000	-.4900714	.0623032	0.71	0.000*	-.0778407	.1663834
<=500	-.6132669	.0337975	19.46	0.000*	.5913249	.7238088

### ***1. Business startup advise***

Organizing various entrepreneurship programmes, seminars and conferences in order to find lasting solutions to the reasons why youth have not been fully engaged in setting up their future ventures. Different countries have invested in various entrepreneurship programmes in order to see whether youth can exploit untapped business opportunities. Make a difference in the career choices of young people by giving them bank loans, business facilities, and access to financial resources (capital). Additionally, participants will have the chance to submit business proposals in order for private firms or the government to fund them. All these approaches have been used to test the entrepreneurial readiness of youth.

Despite such effort, the youth participation to start their own business activities still calls for concern, i.e. an individuals who not accessing business advisory service are 5.6% more likely to unemployed in comparison with those that are get business advisory service. But based on table 4.13 this relation is insignificant. This may be due to low level of entrepreneurship training. Peterman and Kennedy (2003) argued that participation in entrepreneurship training programmes enhances the desire to start a new business. In order for the dream business to become a reality, youth require motivation through funding or other support mechanisms from a variety of stakeholders such as the government, lecturers, families, friends, and religious groups. Thus, access to resources such as capital and motivation is of significant concern to many young people. They are willing to take risks in order to start a new business. Entrepreneurship training does provide more and better entrepreneurial opportunities as it nurtures the ability of youths which raises their inclination and attitude towards entrepreneurship (Janice & Dmitriy, 2013; Souitaris et al., 2007). But this is inconsistent with those studies.

### ***2. Credit opportunity for youths***

It has been shown that financial sector disruptions can affect business cycle fluctuations significantly (Gilchrist and Zakrajsek, 2012; Meeks, 2012), especially the demand for labor (Jermann and Quadrini, 2012). As a result, focusing on the decline in credit as a potential source of unemployment fluctuations is motivated by the transmission mechanism, according to which perturbations in financial markets propagate directly to the real economy (Jermann and Quadrini,

2012). Since such disturbances affect firms' ability to borrow, credit tightening can lead to increased youth unemployment by cutting new investment and vacancies.

Lack of credit for youth's leads to the economic and social obstacles, then this leads low-income young people face in making successful transitions to adulthood. For young's the ability to manage money, build assets safely and plan for the future is a core component of a larger set of economic and social assets required to achieve more sustainable livelihoods. Based on table 4.13, if the dummy variable changes from zero to one, the probability for the variable grade taking the value one decline by 46%. Therefore respondents who did get credit opportunity are less likely to being unemployed and they may have good opportunity to being an entrepreneur. Particularly, the limitation of access to finance for youth is largely skewed towards non-financial barriers. These include conditions in the broader business environment like limited management capacity, lack of collaterals, perception of lending institutions towards youth and limited incentives to reach out to more young people. Based on the study result the existing credit opportunity has a good contribution for youths to create their own business. This also statistically significant at 1%.

It was Petrosky-Nadeau and Wasmer (2013) who analyzed the financial accelerator resulting from complementarity between search frictions on the credit and labor markets. Despite labor market frictions aggravating the negative effects of credit imperfections, intense competition in the credit market increases the favorable effects of labor deregulation. Through labor demand, Quadrini (2012) contends that financial stocks are transmitted to the real economy.

### ***3. Participation on a work for payment or profit***

The more limited their work experience, the more difficult it is for youth to find economic opportunities. Youths those who have not participated on work for payment or profit before this time, they may have not good chance to create their own business and that is difficult join an entrepreneur or being an entrepreneur. Based on table 4.13, when youths did not participated on a work for payment are 71% more likely to be unemployed but it is statistically insignificant.

### ***4. Marital status***

From table 4.13 result, marital status implies that, if an individual is married it has more likely to become unemployed than not married. But, this is statistically insignificant. Marriage can influence young access to employment (UNICEF, 2018).

### **5. Gender**

As far as the gender of youths is concerned. Gender has a great role for youths to become unemployed or create their own work. As the result stated on table 4.13, male is less likely to become unemployed than female. The result proved that by 39% males are less likely to be unemployed than female. This is highly statistically significant. Gender plays a significant role in generating income and employment. There is a lack of employment or training for young women (ILO, 2017). Women's participation in the labor market may be restricted by mobility restrictions, safety concerns, and early commitment to unpaid household work, marriage, or motherhood. Women are often guided to caring, cleaning, hairdressing, tailoring, or home gardening roles, while young men are steered toward what is considered more physical work in construction and mechanics (Mastercard Foundation, 2018a). These societal expectations influence their personal ambitions and their choice of subjects to study and lead to gendered job segregation. Gender income generation is significant. The average earnings of men in Sub-Saharan Africa are 11.8 percent higher than those of young women (Mastercard Foundation, 2018a).

### **6. Job preference**

Youths may have an interest to become private (create their own business) or paid worker, to see the contribution of youth's preference for their employment status we have produced the result on table 4.13. The result proved that an individual who prefer to become paid worker is more likely to become unemployed than that of an individual who want create their own business. But, the result is statistically insignificant. Self-employment is an important form of employment for youth (Sykes et al. 2016). When youth identify a market opportunity that matches their skills, experience, and ideas, or when wage employment is scarce, they may pursue self-employment (AfDB, 2011). In addition to offering high economic growth potential, self-employment allows young people to fulfill their household responsibilities as well (Save the Children, 2018a). Even if our study yields an insignificant result.

## **7. Education level**

When an individual education level is illiterate, it has more likely to become unemployed than that of an individual whose education level is above secondary. As the result stated on table 4.13, by 22% illiterate groups are more likely to become unemployed than that of an individual whose education level is college or university. The result is statistically significant. Besides, if an individual education level is primary, by 36% he/she is more likely be unemployed than that of an individual education level is college or university. The association was statistically significant. Lastly if an individual education level is secondary he/she is more likely to become unemployed than that of an individual whose education is above secondary by 15%. The result is statistically significant. Education is an essential part of building individual capability and increasing employability, productivity, and income. Each additional year of schooling increases an individual's earnings by an average of 8–10 percent, with larger gains (World Bank, 2018). In low-income countries characterized by underemployment and large informal sectors, education is associated with greater access to full-time jobs in the formal sector.

Youth have a challenging time finding economic opportunities with limited education. A study conducted by the International Labour Organization (ILO) found that primary school graduates took 1.6 times longer to transition from school to employment than secondary school graduates (22.2 and 14.3 months, respectively). Differences in educational attainment may also influence the growth trajectory of young entrepreneurs. The study of 20,000 young entrepreneurs in nine African countries found that 65 percent of those who owned low-growth businesses were only primary school graduates, while 80 percent of those who owned high-growth businesses had completed secondary, postsecondary, or tertiary education (Kew, 2015).

## **8. Family income**

The effects we find are much weaker than we expected. When family income of the youths found on in the interval 1001 to 1500, their likely to become unemployed less than that of an individual whose family income found above 1501 by 66%. The result is statistically significant. Again if an individual his or her family income found on in the interval 501-1000, then his or her likely to be unemployed less by 49% than that of an individual whose family income found above 1501. The association was statistically significant. Lastly if an individual youths whose

family income found below  $\leq 500$  he/she is less likely to become unemployed than that of an individual whose family income above 1501 by 61%. Still the association is statistically significant. On this study we conclude that an individual youths from a family whose income is greater than 1501 have more chance to be unemployed. It is possible for families to influence the financial behaviors of their household. In addition to the emotional, social, and financial support they may provide, parents influence their children's use of financial services and approach to financial management. Parental contacts assist youth in finding jobs. Youth from poor families often work for family businesses. This study result is inconsistent with that of Schioppa & Lupi (2002). In particular, the income effect seems irrelevant for participation decisions as an entrepreneur, family income not reduces youth unemployment.

## **CHAPTER FIVE**

### **CONCLUSION AND RECOMMENDATION**

#### **5.1. Conclusion**

This study mainly focused on the main determinants of youth unemployment in the Bench Sheko zone. Having this in mind, the study has three primary objectives: the pattern, the general features, and the main determinants of youth unemployment.

Generally, men are more likely to engage in business. However, in the Bench Sheko zone male unemployment is higher than female unemployment. Females also had a low chance of participating in enterprise activities. Even though women are unemployed, they are less likely than men to be unemployed. Additionally, men are more likely than women to be involved in entrepreneurship. Male unemployment dominates, but males are more inclined to participate in enterprise than females. Although more men than women participate, entrepreneurs are less effective at reducing unemployment. Therefore, the amount of enterprises that are being created is small and does not contain the growing youth unemployment in the zone. Women are less likely than men to own their own businesses or work with entrepreneurs, despite being less inclined to be unemployed.

A total of 74 (18.45%) women and 151 (37.66%) men are employed, while 78 (19.45%) women, 98 (24.44%) men, and 176 (43.89%) men are unemployed. The majority of respondents are between the ages of 21 and 29. Gender, marital status, business startup advise, credit availability, education level, family income and unemployment have a significant association. Interestingly, job preference and participation on work before this time has no any association with unemployment.

Compared to individuals who receive business advisory services, those who do not receive are more likely to be without a job. But this relationship is insignificant. Respondents who did get credit were less likely to be out of work and had a greater chance of becoming entrepreneurs. If youth did not participate in a work for payment program, they are 71% more likely to be unemployed, but this is not statistically significant. If an individual is married, he or she is more likely to be unemployed than not married. But this is statistically insignificant. Males are less likely to become unemployed than females. The result indicates that by 39% males are less likely

to be unemployed than females. This is highly statistically significant. The result proves that an individual who prefers to become a paid worker is more likely to become jobless than that of an individual who prefers to create their own business. But, the result is statistically insignificant. The more limited their education, the more difficult it is for youth to find economic opportunities. Related to family income, the effects we find are much weaker than we expected. The results show that when family income increases, youths will be out of work rather than creating their own business.

In conclusion, more of the explanatory variables in the regression analysis showed a significant effect on youth unemployment.

## **5.2. Recommendation**

Based on the finding of the study, we recommend the following points in order to reduce youth unemployment.

- Youth have the greatest untapped potential in Bench-Sheko, but labor market conditions appear unfavorable to both the unemployed and the self-employed. Youth, often lack opportunities and the resources they need to build their futures. As a result, the area should strive to utilize its potential to be productive in order to solve economic problems. Successful entrepreneurship can help build the resilience of depleted communities and lower or remove the barriers that prevent marginalized individuals from being active agents of their own development. This will enable them to be productive members of the community. Hence, the zone will need to lower the negative consequences of youth unemployment, such as, negative long-term effects on future labor market prospects, social and political unrest, and growing inequalities in the long run. Creating employment opportunities, protecting the most vulnerable & empowering people and communities.
- Businesses want to hire people with experience, but youth cannot gain experience because they cannot find work. In order to make the labor market more attractive to youth, it needs to be restructured. Investing in learnerships, apprenticeships, and other youth programs at the public and private levels is critical.

- Financial services alone cannot unlock positive outcomes for youth. A range of complementary non-financial services—including entrepreneurship training, vocational skills, negotiation and communication skills, business education, and business advisory services—are also critical to successful youth entrepreneurship. Apprenticeships and internships can help youth gain the skills required by employers and build a network in their field that could include potential employers. Interventions that offer youth entrepreneurial skills and facilitate their access to physical, financial, and social capital, will have positive effects on employment, earnings, and business performance outcomes.
- Policy makers, funders, financial and non-financial services providers, and related stakeholders can take specific steps to improve youth outcomes related to education and livelihoods.
- Identify the youth segment to target and tailor financial and non-financial interventions specifically to their needs, aspirations, and context.
- Address the specific challenges facing youth and women with gender-specific services and design features. Focus subsidies on serving the most excluded and challenging youth populations.
- Include youth voices and leadership in the design, delivery, and learning of comprehensive approaches. Youth need a platform to articulate their needs and ideas. Government partners and funders, should include youth voices in any discussions about their future. Services providers could be encouraged and guided to detail the various profiles of their youth clients and work with youth to co-design and test solutions.
- Revise legal frameworks to enhance youth inclusion. Aligning youth expectations and preparation with near-term employment opportunities could help to promote an entrepreneurial culture, especially when linked to mentors who are self-employed. Support infrastructure for digitally enabled educational and employment opportunities.

### 5.3. Future insight

Based on our study we also recommend other researchers to improve this study by considering the following points.

- To identify the determinants of youth unemployment, this study examined four cities. However, there is still research to be done on this subject, including all cities that are located in the Bench-Sheko zone.
- Considering the severity of youth unemployment at the global, national, regional and zonal levels, we are only considering urban youth unemployment, but further research is needed to produce better results by including rural youth unemployment.
- In order to know the effect of family income on youth unemployment, we suggest other researchers use the expenditure approach.
- Rural youth migrate for various reasons to urban areas. But this study does not consider the impact of migration on urban youth unemployment. Other researchers can improve this study by including this.
- Data in the modern world change from time to time, so other researchers should conduct this study after adding recent data that are not included in this study.
- Marital status, business startup advice, the choice of job and previous participation in work with a payment or profit have no significant impact on youth unemployment. we are not considered being divorced or widowed. Thus, a larger sample size is needed for further study.
- This study focused on some microeconomic determinants of youth unemployment. However, by considering other microeconomic and macroeconomic variables, it can be improved.

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## Appendices-1

**MIZAN TEPI UNIVERSITY**  
**COLLEGE OF BUSINESS AND ECONOMICS**  
**DEPARTMENT OF ECONOMICS**  
**QUESTIONNAIRE**

To tackle the main determinants of youth unemployment in the town, conducting this research is very crucial. For that reason, this questionnaire designed to collect data about the main determinants of youth unemployment in Bench-Sheko zone. Evidence from this discussion and interview will benefit the zone to reduce the core roots of youth idleness and optimistically benefits the youth and the community at large. Henceforth, the researchers kindly request your collaboration to fill this questioner accurately to achieve the objective of the study.

*Thank you in advance!!!*

*Please indicate your choice by making a **CIRCLE** on the relevant answer.*

1. SEX
  - A. Male
  - B. Female
2. Age
  - A. If 15-20
  - B. If 21 – 29
  - C. If 30 – 34
3. What is your marital status?
  - A. Married
  - B. Non- married
4. What is your unemployment status?
  - A. Unemployed
  - B. I work with an entrepreneur
5. What is your education level?
  - A. Illiterate
  - B. Secondary schooling
  - C. Primary schooling
  - D. Above secondary education
6. Participation in a work for which one has received a payment or profit before this time?
  - A. I have work experience
  - B. I have no work experience
7. Do you have information to get job?
  - A. I have information
  - B. I have no information



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20. What do you think in your mind about the contribution of private sector to minimize youth unemployment in your town?

- A. They have poor contribution to reduce youth unemployment
- B. They have enough contribution to reduce youth unemployment

21. What do you think in your mind about the contribution of public sector to minimize youth unemployment in your town?

- A. In my perception they have poor contribution to reduce youth unemployment
- B. In my perception they have enough contribution to reduce youth unemployment

22. According to your experience and point of view, when youths are become out of job in your town, in what activity they participate?

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23. Do you have any advice which used as input for minimization of youth unemployment in your town?

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## Appendix-2

### ❖ Logistic model: - Goodness-of-fit test

Number of observations	Number of groups	Hosmer-Lemeshow chi2(8)	Prob > chi2
401	10	12.5	0.1491