

LABOUR MARKET PROFILE

Ethiopia

2024/2025

This profile provides a comprehensive overview of the labour market situation in the country.



PREFACE

The Danish Trade Union Development Agency (DTDA) is the development organisation of the Danish trade union movement.

The work of DTDA is in line with the International Labour Organization's global Decent Work Agenda (DWA) based on its four pillars: creating decent jobs, guaranteeing rights at work, extending social protection, and promoting social dialogue. The overall development objective is to eradicate poverty and support the development of just and democratic societies by promoting the DWA.

DTDA collaborates with trade union organisations in Africa, Asia, Eastern Europe, Latin America, and the Middle East. The programmes' immediate objective is to assist the partner organisations in becoming change agents in their own national and regional labour market context, capable of achieving tangible improvements in the national DWA conditions and the labour-related Sustainable Development Goals (SDGs).

The Labour Market Profile (LMP) provides a comprehensive overview of the labour market's structure, development, and challenges. It applies several central indicators addressing labour market aspects, including unionism, social dialogue, bi-/tri-partite mechanisms, policy development, and legal reforms status' compliance with international standards, just transition, 4IR, among others.

As part of programme implementation and monitoring, national partner organisations provide annual narrative progress reports, including information on labour market developments. Furthermore, specific data and information relating

to central indicators are collected using a unique data collection tool.

National statistical institutions and international databanks are used as a source of general (statistical) data and information, such as ILOSTAT and NATLEX, World Bank Open Data, ITUC Survey of Violations of Trade Union Rights, the U.S. Department of State, and other internationally recognised labour-related global indexes.

Academia and media sources (e.g., national news) are used in research on labour market issues.

The profile is regularly updated; the current version covers 2024 to 2025. Labour Market Profiles for more than 20 countries are available on DTDA's website: <https://www.dtda.dk/>.

DTDA prepared the Labour Market Profile in collaboration with the Confederation of Ethiopian Trade Unions (CETU). If any comments arise to the profile, please contact Mr. Kasper Andersen (kan@dtda.dk) from DTDA.

The frontpage's picture is taken by Mr. Kent Jensen, Programme Consultant from DTDA, displaying Hagere Selam, which is on the way to the gold district in Shakiso.

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EXECUTIVE SUMMARY

An upsurge in special export zones drives Ethiopia's high economic growth, but it has lost tempo in recent years due to impacts from internal conflicts and the global Covid-19 pandemic. The agricultural sector, dominating the workforce, faced climate-impacted droughts at the worst scale recently, triggering massive climate migration and accelerated urbanisation. These factors fuelled the inflation in consumer prices to skyrocket, stymying the already very low incomes and sending poverty reduction in limbo.

Improvements in the labour market's legal framework are not trickling down to most workers, who are caught in the informal economy or face regulatory hurdles. Regional integration is gaining more weight at the policy level, but labour provisions remain underestimated. Internal conflicts halted central trade agreements, complicating the industry's employment goals.

Social dialogue tripartite mechanisms at the national level run into ruptures and encounter an underdeveloped bipartite stage at the enterprise level. For instance, the collective bargaining coverage rate reached about 8.8% of employees in 2023. Although Ethiopia's economic transformation supported the trade union movement for a remarkable upsurge of the membership rate during the last decade, it stalled in recent years due to economic ruptures and rigid unionism regulations; the trade union density grasped 14% of employees in 2023. Many workers experience systematic violations of rights, and modern slavery is a critical issue.

Ethiopia's income per capita is rising, suggesting that the youth bulge supports a demographic dividend. It creates mounting pressure on job creation, and employment in the industrial sector has not advanced in recent years. The workforce is low-skilled, aligning poorly with the labour needs of different formal industries. Unemployment is an urban

phenomenon stuck to youth. The largest employment group is subsistence agriculture in rural areas, which is shadowed by "disguised unemployment", not to mention one in three is economically inactive, hiding potential unemployment. Labour-related gender gaps remain stark but with some improvements, such as the rising proportion of Ethiopian women in senior and middle management positions.

Massive internal migration is advancing fast due to natural and conflict disasters, reshuffling the labour market landscape, and playing a pivotal role in regional migration through Africa. The industrialisation process in Ethiopia contributed to a more balanced net migration flow, eroding the remittance influx. Although a high inflow of refugees opened for job inclusion initiatives, barriers still stand in the way of realising the aims.

Education enrolment has improved, but the alarmingly high child labour rate echoes the dysfunctionality between the education system and the labour market. The Technical and Vocational Education and Training (TVET) sector has been under-prioritised, but Ethiopian firms offering formal training programmes are slowly rising. The country is lagging in adopting information and communication technologies, and the business process outsourcing industry is weak.

Social protection in Ethiopia has progressed in terms of health safety, while coverage of social insurance schemes remains immature. The worrisome drop in retirement pension coverage in recent years was due to diverse disrupting factors. Extensive non-contributory social protection programmes are catching the poorest quintile but also with leakages to the richest quintile. There is no provision for unemployment benefits under the labour legislation, but initial stages were taken in 2023 to establish an unemployment insurance scheme.

FACT SHEET

Significant developments

- Ethiopia has demonstrated an economic structural shift supported by development in the industry sector, gaining more formal workers.
- The trade union membership rate grew substantially during the last decade, benefiting the upsurge of special economic zones and improved legal framework of the labour market.
- The Labour Proclamation No. 1156/2019 brought a new alternative dispute settlement mechanism for labour issues linked with the social dialogue framework.

Social dialogue

- The collective bargaining agreements coverage of 8.8% for employees in 2023.
- Civil servants, including public school teachers, may not bargain collectively.
- The Labour Relation Board and the Permanent Advisory Board have legal provisions.

Main challenges

- Ethiopia is struggling to control the inflation in consumer prices and approve the minimum living wage system.
- The country is recovering from the aftermath of the Tigray region conflict, and the special economic zones are fully functioning again.
- The Just Transition agenda faces an enormous job creation challenge, confronting the suffering agricultural sector and mounting internal migration flow.
- Although new, improved laws and policies have been launched, their impacts are stymied due to the dysfunctionality of what the education system and the labour market deliver.
- Bipartite social dialogue at the enterprise level is facing weak business regulations and labour inspection coverage.
- The effect of social insurance reform stalled formal firm-level employment due to a lack of economic incentives.

- Job training across regions and sectors is limited, seeping out ICT adoption and business dynamism.

Unionism

- Trade union density of 14% for employees.
- Trade union membership rate increased by 93% from 2014 to 2023.
- Violations of trade union rights rank 4 of 5+.

Ethiopia's trade unions movement's central challenges:

- The huge number of unorganised worker face the lack of awareness or incentives to unionize.
- The existence of high resistance of employers to negotiate collective bargaining.
- The existence of very low wage or salary practices, which leads workers' life to hardship, not to mention the galloping price of fuel and consumer goods that further affects the life of workers harmfully.
- The implementation of the Labour Proclamation No. 1156/2019 at the workplaces level encounters many challenges linked with lack of awareness and/or incentives among the stakeholders.

Workforce

- The working-age population is 57 million.
- Unemployment rate of 8.0%.
- The proportion of informal employment in non-agriculture employment is 69%.
- Child labour rate is 43%.
- Labour share of national income of 41%.
- Men and women employees' share of total employment of 9.2% and 5.1%, respectively, supporting a widespread informal economy.
- The not education, employment, or training (NEET) rate of 18%.

COUNTRY MAP



Source: National Online Project.

TABLE OF CONTENTS

PREFACE	I
EXECUTIVE SUMMARY	II
FACT SHEET	III
COUNTRY MAP	IV
ECONOMIC PERFORMANCE	1
Just Transition.....	2
Special Economic Zones	3
LABOUR LEGISLATION	4
Observations on Labour Legislation.....	4
Ratified ILO Conventions	5
Trade Agreements	6
SOCIAL PARTNERS	6
Government.....	6
Trade Unions	7
Employers’ Organisations.....	8
SOCIAL DIALOGUE	9
Central tripartite institutions.....	9
Labour dispute resolution system	10
TRADE UNION RIGHTS VIOLATIONS	11
WORKING CONDITIONS	11
WORKFORCE	12
Unemployment	13
Migration	14
Informal Economy	16
Child Labour.....	16
Gender.....	17
Youth.....	18
EDUCATION	19
Vocational Training.....	20
Fourth Industrial Revolution	21
SOCIAL PROTECTION	22
APPENDIX: ADDITIONAL DATA	25
Table 4: Ethiopia’s Climate Governance.....	25
Table 5: Ethiopia’s Ratified ILO Conventions	26
Table 6: Central legal reservations concerning the rights to organise, collective bargaining, and strikes in Ethiopia	27
Table 7: Labour market efficiency in Ethiopia, 2019.....	27
Table 8: Ease of Doing Business in Ehtiopia, 2020	28

Table 9: Ethiopia’s most relevant policies for the informal economy	28
Table 10: Ethiopia’s monthly minimum wages, February 2024.....	29
Table 11: Ethiopia’s key workforce data, 2021	29
Table 12: Ethiopia - Scores for Women, Business and the Law 2022.....	29
Table 13: Ethiopia’s most relevant laws and policies for the TVET system	30
Table 14: List of Ethiopia's social protection legal and policy framework	30
Table 15: Proportion of population covered by social protection systems and health in Ethiopia, 2020	30
REFERENCES	31

Tables

Table 1: Level of national compliance with labour rights among Ethiopia and neighbouring countries, 2021	5
Table 2: Key indicators for employed gender gaps in Ethiopia, 2022	18
Table 3: Ethiopia’s key economic data, projections, 2019-2025	25
Table 4: Ethiopia’s Climate Governance.....	25
Table 5: Ethiopia’s Ratified ILO Conventions	26
Table 6: Central legal reservations concerning the rights to organise, collective bargaining, and strikes in Ethiopia	27
Table 7: Labour market efficiency in Ethiopia, 2019.....	27
Table 8: Ease of Doing Business in Ethiopia, 2020	28
Table 9: Ethiopia’s most relevant policies for the informal economy	28
Table 10: Ethiopia’s monthly minimum wages, February 2024.....	29
Table 11: Ethiopia’s key workforce data, 2021	29
Table 12: Ethiopia - Scores for Women, Business and the Law 2022.....	29
Table 13: Ethiopia’s most relevant laws and policies for the TVET system	30
Table 14: List of Ethiopia’s social protection legal and policy framework	30
Table 15: Proportion of population covered by social protection systems and health in Ethiopia, 2020	30

Figures

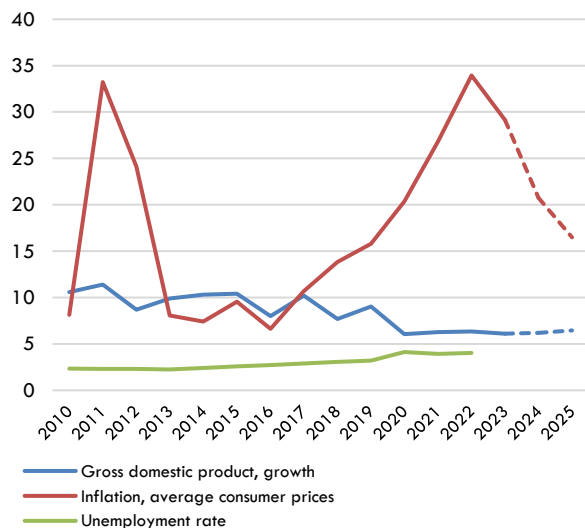
Figure 1: Gross domestic product, inflation, and unemployment trends in Ethiopia, %, 2010-2025.....	1
Figure 2: Aggregate sectoral economic changes, sum of value-added per sector in Ethiopia and sub-Saharan Africa, % of GDP, 2010-2022.....	1
Figure 3: Membership share of trade union federations in Ethiopia.....	7
Figure 4: Population pyramid based on the Age-Sex structure of the population in Ethiopia, 2023.....	12
Figure 5: Unemployment rates in urban areas in Ethiopia, 2016-2022	14
Figure 6: Net migration and personal remittance in Ethiopia, 2010-2022.....	15
Figure 7: Proportion of women in senior and middle management positions and in managerial positions trends, %, 2013-2021	17
Figure 8: Status of proportion of youth not in education, employment, or training (NEET) in Ethiopia and neighbouring countries, %, latest data.....	19
Figure 9: Digital literacy of employed persons in Ethiopia, 2021	21
Figure 10: Current health expenditure per capita (current US\$) and out-of-pocket expenditure (% of current health expenditure) trends in Ethiopia and sub-Saharan Africa (SSA), 2010-2020.....	23

ECONOMIC PERFORMANCE

Ethiopia is becoming an economic powerhouse in Africa. They have demonstrated one of the fastest economic growth per capita and the government aims to reach lower-middle-income status by 2025.

The high economic growth was not hit as hard by the global Covid-19 pandemic compared to many other countries. Part of the reason is that production in the agricultural sector stood more stable, covering at least three of five workers in employment. It supports the fact of only a minor upsurge in the unemployment rate. The inflation in consumer prices started to rise at the end of 2010s, ending even skyrocketing at the start of 2020s: The country reached its record-high rate of 34% in 2022, hollowing out workers' income purchasing power (see Figure 1 and Appendix Table 3). Weak domestic market supply, agricultural production constraints linked with climate changes, and steady devaluation of the national currency are among the major factors contributing to the staggeringly high inflation levels.

Figure 1: Gross domestic product, inflation, and unemployment trends in Ethiopia, %, 2010-2025



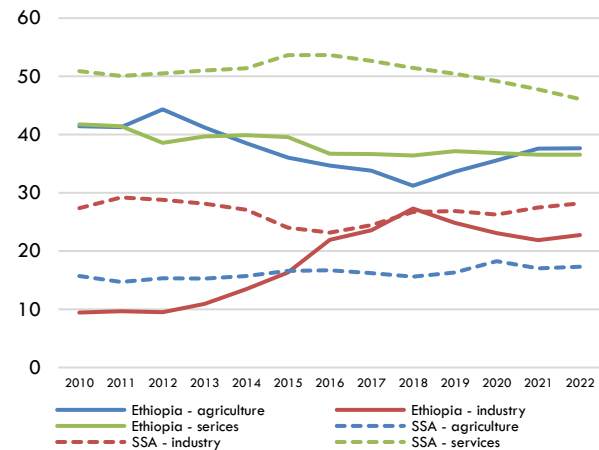
Source: International Monetary Fund, World Economic Outlook Database, October 2023; The World Bank, World Development Indicators.

The government operates with a 10-year Development Plan linked with its 2019 Home-Grown Economic Reform Agenda from 2020 to 2030. The plan aims to sustain the high growth, facilitating the shift towards a more private-sector-

driven economy. It further focuses on fostering efficiency and introducing competition in central growth-enabling sectors, especially energy, logistics, and telecom; improving the business climate; addressing macroeconomic imbalances.¹

Ethiopia's economic transformation is reflected in a notable upturn in the industry sector, supported by public investments in infrastructure and manufacturing in Export Processing Zones. It brought the country grasping the sub-Saharan Africa average and the Industrial Development Strategic Plan's (2013-2025) goal. However, it lost the pace at the end of the 2010s linked with the internal conflict in the Tigray region and the mentioned economic shocks triggered by Covid-19. The falling agricultural sector's value-added instead rebounded, hovering far above the sub-Saharan African average. The service sector experienced a slow downturn during the last decade, floating below the regional average (see Figure 2).

Figure 2: Aggregate sectoral economic changes, sum of value-added per sector in Ethiopia and sub-Saharan Africa, % of GDP, 2010-2022



Source: The World Bank, World Development Indicators.

The economic development has encountered difficulties, reflected in poor business regulations and low efficiency; for example, the Doing Business Index ranked Ethiopia 159 out of 190 countries (1st is best) (see more details in Appendix Table 8). Additionally, the informal economy is widespread, creating loopholes in labour and business regulations and obstacles to good governance (see more in the Informal Economy sub-section).

Despite substantial progress in economic and social developments over the last two decades, Ethiopia remains among the poorest countries in the world. Vulnerability to poverty remains high, especially for those engaged in rain-fed agriculture and pastoralism. Subsistence agriculture remains the main activity for a large part of the population, subject to considerable environmental and climate risks (see more in the Just Transition sub-section). Data show that the population living below the national poverty line fell from 39% in 2004 to 24% in 2015. In recent years, the high inflation squeezes family budgets as food prices rise, bringing them into poverty limbo. Massive internal displacement associated with natural disasters and conflicts affects economic and social development progress.

Just Transition

The Notre Dame Global Adaptation Initiative (ND-GAIN), which calculates a country's vulnerability to climate change alongside its readiness to improve resilience, ranked Ethiopia as the 24th most vulnerable country to climate change, with a great need for investment and innovations to enhance readiness and urgency for action.²

As a climate-impacted nation, it faces complex encounters that affect key sectors, including agriculture, health, and energy generation. Average temperatures are rising, drought and floods are becoming more frequent. For instance, the country has experienced consecutive droughts in recent years, at the worst scale in over 50 years, leading to environmental degradation that negatively affected the agricultural sector. These climate shocks have pushed the country into a massive hunger crisis as millions go without food and clean water. Since the agriculture sector is the country's economic backbone for job creation, it is critically tested. Projections over 50 years suggest that a reduction in agricultural productivity may lead to 30% less average income, compared with the possible outcome in the absence of climate change.³ Displacing people throughout the country due to these climate impacts has accelerated urbanisation with expansion of informal settlements,

exacerbating the cities' vulnerability to flooding (see more in the Migration sub-section).

Several institutions, central laws, and climate policy development support the climate governance framework, including the recent Long-Term Low-Emissions Development Strategy 2020-2050 (LT-LEDS), representing progress in ambition with net zero emissions reached by 2050 (see more in Appendix Table 4). The LT-LEDS acknowledges the principles of a just transition to a decarbonised, resilient economy. It further proposes measures to ensure a more inclusive labour market by establishing a Women and Youth in Green Jobs Programme, addressing barriers to accessing economic opportunities. The programme will address the challenges workers face in vulnerable employment and enterprises in informal sectors.⁴

African trade unions call for a just transition, including from Ethiopia, focusing on the fight against climate change and preserving workers' social justice. In 2023, the trade union movement's main issues raised are: i) decent work and quality jobs; ii) social protection; iii) worker participation; iv) community engagement; v) gender equity; vi) investment in green jobs; vii) labour rights and just transition plans; viii) reskilling and upskilling; ix) support for impacted industries; x) transparency and accountability.⁵

One of the most extensive public employment programmes globally is in Ethiopia, known as the Productive Safety Net Programme. It incorporates various activities to manage natural resources sustainably. This programme can contribute to climate change mitigation, including capturing and storing carbon in biomass, such as soil or trees. The total reduction in net greenhouse gas emissions from land management under the programme is projected at 1.5% of the emissions reductions in the country's nationally determined contribution to the Paris Agreement.⁶

In 2021, as part of Ethiopia's updated Nationally Determined Contribution under the Paris Agreement, the government announced ambitious emissions cuts and other commitments, including i)

reducing emissions by 68% by 2030; ii) reforestation and restoring up to 15 million hectares, iii) 40 adaptation interventions across agriculture, water, forestry, transport, urban, health, and more.⁷ The country is also the first worldwide to ban imports of fossil fuel cars.

Reports found that despite the vast energy resources (hydropower, solar, wind, biomass, geothermal, natural gas, and coal), Ethiopia still cannot develop, transform, and utilise these resources for optimal economic development. Over 55% of Ethiopians are unelectrified, and most rely on biomass for cooking. Biofuel accounts for the largest share (87%) of the total primary energy supply, hydrocarbons 10% and electricity 3% in 2017.⁸

Special Economic Zones

Supported by an ambitious industrial development policy, Ethiopia promoted the Special Economic Zones (SEZs) development programme during the last decade, including government-led Industrial Parks (IP). These relatively new SEZ schemes benefit from fiscal and non-fiscal incentive packages. Currently, 24 SEZs are registered, of which 14 are operational, including 10 IPs; others are in the pipeline.

The SEZ programme was driven to turn the country into a textile and apparel manufacturing hub. It attracted FDIs, benefitting the relatively high competitiveness due to factory workers receiving among the lowest paid worldwide (see more in the Working Conditions section). Data show that the country's exports accelerated significantly from 2017 to 2022. However, the inflow of FDIs and manufacturing exports lost pace at the end of the 2010s, which was linked to the internal conflict in the Tigray region. These circumstances led to the termination of trade preference programmes, and central companies' long-term presence in Ethiopia's EPZs is in limbo (see more in the Trade Agreements sub-section).⁹ This situation has harmed the Ethiopian clothing and textile sector, which could bring massive job losses.¹⁰

The export of the garment and textile industry from SEZs/IPs in intra-African trade has been low. Instead, the evolution of the African Continental Free Trade Area (AfCFTA) could bring new export flows.

By early 2020, the country's 14 operational industrial parks employed 88,000 workers.¹¹ Women accounted for approximately 80% of the country's SEZ employees. Access to updated data was scarce, but as indicated, this number could have been negatively affected by the Covid-19 pandemic and deteriorated trade agreements. It suggests that the SEZ programme's development has ended far below its target of generating 100,000 direct jobs. Besides, high labour turnover, labour unrest and frequent wildcat strikes in industrial parks echo an unhealthy indication of industrial relations.¹²

In Ethiopia, national labour legislation applies in the SEZs, regulating employment terms and protecting women workers. However, the national government agencies do not consistently enforce these regulations effectively. For example, the lack of a statutory minimum wage has been blamed for the dominance of employment contracts that disguise the difference between wages and employment-related benefits, as well as for the extremely low salaries being paid to SEZ employees. The trade union movement has gained momentum in campaigning in the textile sector to improve wages that target the industrial parks set up by the government.

Ethiopian SEZ workers are guaranteed the right to freedom of association and collective bargaining, including the right to unionism. However, these rights are under pressure by state and employer hostility to unionisation in SEZs, echoing in management resistance to labour inspectors' calls for companies to allow workers to form unions.¹³

Studies found that Ethiopian SEZ workers, most of them young women, cannot afford decent housing, food, and transportation since their salaries remain low. Even though some factory owners contribute modest additional payments for regular attendance

and meals, it is common for young women to share a small room with up to four others. Moreover, SEZ/IP workers receive little training, and dissatisfied employees have protested by stopping work or quitting altogether.¹⁴

In the framework of the Ethiopia Jobs Compact, an industrialisation agenda to create jobs for Ethiopians and refugees, the development of zones introduced funding earmarked to support the creation of jobs for refugees in Ethiopia. Around US\$500 million is directed to fund the construction of three industrial parks and associated infrastructure, as well as training, housing, and support to help refugees settle into new communities. These funds are being provided on the condition that one-third of the 90,000 jobs expected to be created in the new industrial parks will be allocated to refugees.¹⁵ Still, many challenges and barriers stand in the way of refugee economic inclusion in the country due to the overall economic and political situation.

LABOUR LEGISLATION

The labour market legal framework is mainly covered by five central laws:¹⁶

- Trade Unions Organisation Proclamation (No. 2 of 1982).
- Constitution of the Federal Democratic Republic of Ethiopia Proclamation (No. 1 of 1995).
- Labour (Amendment) Proclamation No. 466/2005.
- Labour (Amendment) Proclamation No. 494/2006.
- Labour Proclamation No. 1156/2019.

The country's economic development and regional integration have required the labour market to adapt to keep pace. Reforming the Labour Proclamation No. 1156/2019 achieved mixed results. For instance, the law established a tripartite minimum wage board; increased the minimum working age from 14 to 15; extended the existing maternity leave and introduced paternity leave for male employees. Although the reforms have

progressively stretched favourable conditions for unionism, some provisions were withdrawn that could have benefited effective collective bargaining.

In 2021, the Overseas Employment Proclamation clarified the role and regulations for overseas employment agencies, types of work, and measures for protecting workers, among other things.

Other improvements on the labour market are: i) the Plan of Action for Job Creation (2020-2025) attempting to promote small and medium enterprises (SMEs) and help design Active Labour Market Policy (ALMP) to tackle skills gaps; ii) Payment for Ecosystem Services (PES) has been established across all regions to provide matching services, assessments, and unemployment registrations for job seekers; iii) comprehensive policies have been designed to examine rural women and migrants.¹⁷

The right to freedom of association is regulated and prohibits anti-union discrimination but does not provide adequate means of protection against it. The right to collective bargaining is recognised by law, similar to the right to strike, but strictly regulated (see more in the Observations on Labour Legislation sub-section).

Observations on Labour Legislation

Although the Labour Proclamation No. 1156/2019 reformed the labour-related legal framework, it still raises several issues. For instance, the International Trade Union Confederation (ITUC) listed several observations of this background regarding the international standards in the right to freedom of association, the right to collective bargaining, and the right to strike (see details in Appendix Table 6).

Some critical aspects are that legislation prohibits managerial employees, teachers, healthcare workers, judges, prosecutors, security-service workers, domestic workers, and seasonal agricultural workers from organising unions. A list of essential services in which strike action is prohibited still includes several divisions like air transport services; electric power supply; water supply and city

cleaning and sanitation services; urban light rail transport service; hospitals, clinics, dispensaries, and pharmacies; fire brigade services; telecommunication services. The quorum required for a strike ballot stays high, at least two-thirds of the members of the trade union.¹⁸

There are gaps between the workers' rights guarantees of the federal laws and policies compared with the actual practice by local authorities and costumes. The labour legal framework mainly applies to employees while informal workers are sidelined, representing about 85% of employment. Besides, the government is not effectively enforcing applicable labour market regulations due to public institutions have insufficient staff and funding.

It is worth mentioning that female domestic workers are often facing abuse in various forms, including verbal or psychological abuse, physical abuse, and sexual assault. Ethiopia has not adopted any legislative measures to recognise domestic workers. Instead, they have been sidelined for no labour rights or protection; rarely operate with formal contractual relations; working long hours for low pay; little or no privacy. State institutions have neglected to promote the rights of domestic workers, and there are no organised domestic workers.¹⁹ In 2023, the Ethiopian government planned to send 500,000 women as domestic workers to Saudi Arabia, which has created some critique of the protection of these workers.

Ratified ILO Conventions

The International Labour Organization's (ILO) conventions enumerate international principles and rights at work. Ethiopia has ratified 23 conventions. Appendix Table 5 shows that nine of ten fundamental conventions and one of four Governance Conventions are approved, and six of 177 Technical Conventions are Up-To-Date and actively promoted. The latest ratified convention was the Maritime Labour Convention in 2019.

The independent ILO body, the Committee of Experts on the Application of Conventions and

Recommendations (CEACR), listed observations and direct requests for several conventions. For instance, CEACR had observations and direct requests about the Freedom of Association and Protection of the Right to Organise Convention (C087). For example, they requested the government to clarify aspects of conciliation or arbitration procedures set out in the Labour Proclamation No. 1156/2019 for labour disputes, including the right to strike. Other observations concern that the Ethiopian Ministry of Labour and Social Affairs did not recognise the National Teacher's Association (NTA) as a trade union. Also, the Charities and Societies Proclamation No. 621/2009 gave governmental authorities great discretionary powers to interfere in the right to organise workers and employers in the registration, internal administration and dissolution of the organisations falling within its scope.

The Sustainable Development Goals indicator 8.8.2 measures compliance with fundamental labour rights. Based on ILO textual sources and national legislation, Ethiopia's scoring improved in 2019 and has stood stable since then, landing in line with the sub-Saharan African average (see more in Table 1). This trend suggests that the country took initial steps in the right direction to reach the specific SDG goal, but as previously mentioned, there are several observations and direct requests.

Table 1: Level of national compliance with labour rights among Ethiopia and neighbouring countries, 2021

Country	Value
Djibouti	5.8
Eritrea	1.1
Ethiopia	2.0
Kenya	4.0
Somalia	1.0 *
South Sudan	2.0
Sudan	6.4
Sub-Saharan Africa	2.0

* Year: 2018.

Note: The value ranges from 0 to 10, with 0 being the best possible score (indicating higher levels of compliance with freedom of association and collective bargaining (FACB) rights) and 10 the worst (indicating lower levels of compliance with FACB rights based on ILO textual sources and national legislation).

Sources: International Labour Organization, Key Indicators of the Labour Market (KILM).

Trade Agreements

Ethiopia is a World Trade Organisation (WTO) member and is linked with one regional trade agreement (RTA) with labour provisions, which is the Common Market for Eastern and Southern Africa (COMESA).²⁰

African economies further initiated an ambitious regional integration programme in the form of the African Continental Free Trade Area (AfCFTA), which aims to promote trade liberalisation in Africa. It is linked with the African Union's Agenda 2063, a blueprint plan for transforming Africa into the global powerhouse of the future. Ethiopia ratified the AfCFTA in March 2019 and developed its AfCFTA implementation strategy in 2022. However, it has not brought more regional trade due to delays in negotiations. The Tunis declaration from September 2022 by trade unions from 39 African countries stresses the inclusion of labour provisions in the AfCFTA agreement to ensure compliance with international labour standards and the decent work agenda.²¹

The 2000 Cotonou Agreement set the framework for European Union (EU) relations with African, Caribbean, and Pacific (ACP) countries. It is the most comprehensive partnership agreement between developing countries and the EU, covering the EU's relations with 79 countries, including 47 African. The deal reaffirms commitment to ILO's fundamental conventions and collaboration on various labour and social issues. Negotiation on a 'post-Cotonou' agreement was initiated in 2018, facing increased migration flows, climate change, and terrorism. Preparing for the new deal was slow due to the Covid-19 pandemic and difficulties in reaching an agreement on sensitive issues, such as migration management as well as sexual and reproductive health. A new partnership agreement was achieved in July 2023. It still needs to be signed by the parties, and further legal procedures will be required before it can be provisionally applied or entered into force. The deal covers priority areas such as democracy and human rights, economic growth and investment, climate change, poverty eradication, peace and security, migration, and mobility.

Ethiopia's trade with the United States increased massively from US\$29 million in 2000 to US\$525 million in 2020, mainly due to an upsurge via the African Growth and Opportunity Act (AGOA) during the 2010s. An annual AGOA eligibility review process examined efforts to implement and enforce internationally recognised worker rights. The United States suspended Ethiopia from the AGOA in December 2021 because of the internal conflict in the Tigray region, and many international companies closed operations. Although a peace agreement was reached in November 2022, the AGOA is not yet reinstated, triggering some rupture in trade flows.

Additionally, Ethiopia has 22 other bilateral investment treaties in force, and several treaties have yet to enter into force.²²

SOCIAL PARTNERS

Social partners are central to promoting the realisation of core labour rights and social justice for workers by protecting freedom of association and collective bargaining. These organisations are usually represented as the government, trade unions, and employers' organisations.

Government

The Ministry of Labour and Skills (MoLS) is Ethiopia's main regulatory body for labour affairs. The ministry is mandated to implement an integrated labour administration system to initiate labour laws and policies; to coordinate, follow up, and enforce their implementation; to enhance employment and a labour inspection service; and to establish a tripartite Permanent Advisory Board.

At the regional level, labour administration is undertaken by the Bureaus of Labour and Skills (BoLSs) and by the two City Administrations in Addis Ababa and Dire Dawa. These institutions are responsible for labour inspection within each region or city, a task that is often relegated to Zonal and District offices.

The Ministry of Women and Social Affairs (MoWSA) and the Ministry of Industry (Mol) likewise drive for structural transformation of the labour market.

Other state institutions that play a central role are the Ethiopian Investment Commission (EIC) and the Industrial Parks Development Corporation. Although Mol and EIC have no direct or official role in industrial relations or social dialogue, they exercise indirect influence.

The Job Creation Commission is functioning. For example, it equipped and brought together the key employment stakeholders when the Covid-19 crisis entered. This led to quickly assessing the pandemic's employment impact and developing and implementing a response plan.

Ethiopian Textile Industry Development Institute offers training, research, and marketing services, attracts investments, and coordinates government efforts in the sector.

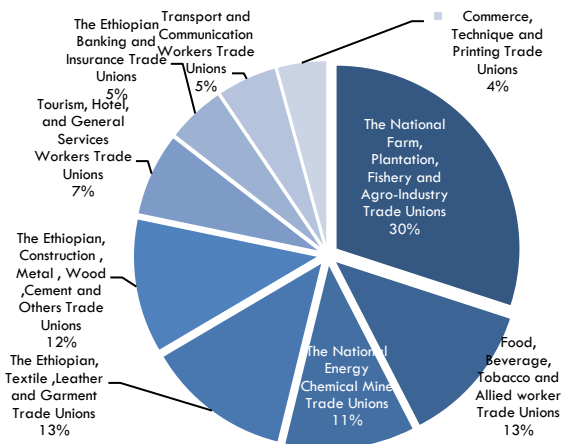
Trade Unions

During the last decade, Ethiopia's trade unions have benefitted from a strong tailwind due to industry sector developments and reforms in the legal framework. The trade union movement consists of three kinds of unions: craft, cross-section, and industry unions. The Confederation of Ethiopian Trade Unions (CETU) is the main centre and the country's largest multi-ethnic civil society organisation, coordinating with nine federations (see details in Figure 3). CETU has gained more strength as an organisation with greater autonomy, leverage, and assertiveness.

As a part of the changes in the labour market structure, the trade union movement is experiencing an impressive upsurge: The number of trade unions has more than doubled during the last decade, reaching 2,120 in 2022. CETU's aggregated trade union membership rate also increased, grasping about 800,000 in March 2023. This surge was mainly during the 2010s, benefiting successes, including fending off the draft 2017 labour bill,

and contesting the illegal ban on unions in industrial parks by confronting employers and the state. Today, in Hawassa Industrial Park alone, out of the 20 factories, 16 have trade unions.²³ However, several ruptures emerged at the beginning of the 2020s, delaying affiliation due to the Covid-19 pandemic impact, alarming high inflation reducing incentives, and waves from internal civil conflict in northwestern Tigray causing many factories were destroyed; workers displaced from their homes and work places, and lost their lives; negatively affecting international companies' presence.

Figure 3: Membership share of trade union federations in Ethiopia.



Source: DTDA, LMP Data Collection Template, Ethiopia.

Ethiopia's trade union density of employees increased by nine percentage points during the last decade, reaching about 14% in 2023. This indicator is now at a high level compared with the neighbouring countries.

Another feature is that women's share of trade union membership rate was rising, reaching around 45%. This upsurge is supported by unions in industrial parks, generating employment for women.²⁴

Labour regulations has flaws regarding international standards to protect workers' rights; for instance, teachers, civil servants, managerial staff, domestic and health workers, and part-time/seasonal agricultural workers may not form or join trade unions. For example, the National Teachers Association (ETA), which is a large organisation of at least 600,000 members, has not

been registered as a trade union but instead as an association and does not have the right to bargain collectively.²⁵ If ETA was included in the trade union density it could reach about one out of four employees (27%). The association aims to restructure itself as a trade union and has signed a bipartite Memorandum of Understanding (MoU) with CETU. Moreover, the informal economy, including domestic and seasonal agricultural workers, was not unionised, or protected by labour law. Trade unions have mainly focussed on members from the formal sector. Take this into the equation: the trade union density of total employment was down to 2.1% in 2023.

A large majority (75%) of registered enterprises are micro-enterprises. Since legislation mandates a minimum of ten workers to form a union, many workers are kept from organising. Informality dominates this segment, which often does not apply labour regulations due to a lack of awareness or incentives. Some private enterprise employers promote corporate practices that have undercut the ability of workers to organise and bargain. These circumstances have complicated the organisation of trade union members.

CETU faces emerging challenges; for instance, the appallingly low level of wages and alarming high inflation rate bring a severe problem to affiliate more trade unions, as well as many workers lack awareness or incentives of unionism. Many local and foreign-owned manufacturers have failed to adhere to international labour standards. The anti-union attitude of employers and attempts made by employers to ignore provisions of the Labour Proclamation constitute severe difficulties for the trade union movement. Ethiopian workers remain divided along national lines, fractured by the sectoral and local differences in conditions.

In CETU's decision-making body, only one out of ten executive positions are reserved for women. The organisation has a Women's Affairs Department that aims to implement the organisation's gender policy. Gender issues are also considered during collective bargaining.

Employers' Organisations

Employers – those working on their account or with one or a few partners, hold the type of jobs defined as “self-employment jobs” – represent just 0.4% of the total employment in Ethiopia, pointedly lower than the sub-Saharan Africa average of 2.3%.²⁶ This segment is dominated by men (see more in the Gender sub-section).

The Global Competitiveness Index provides Ethiopian employers' views on various aspects, including labour market efficiency, based on surveys among employers in the country. This latter efficiency has landed low, ranking 124 of 141 countries (1st is the best), including the poor cooperation in labour-employer relations (see more in Appendix Table 7).

According to the Labour Proclamation, employers have the right to establish and form employers' associations and actively participate therein. It has no provision for a minimum number of members or representativeness criteria for the establishment of an employers' organisation.

The Industrial Employers Confederation (IEC) was the only organisation to represent employers and their associations at the national level. However, a competing organisation, the Ethiopian Employers' Confederation (EEC), entered the scene in 2001. The two organisations established a coalition called the Confederation of the Ethiopian Employers Federations (CEEF). The CEEF was merged in 2018 with the Ethiopian Employers' Federation (EEF) and nine federations; the EEF remains the largest and the leading force within CEEF.²⁷ The CEEF is recognised in the social dialogue processes, especially in the tripartite structure at the national level. CEEF is an International Organization of Employers (IOE) member.²⁸

Other institutions are the Confederation of Ethiopian Employers' Association (CEEA), an apex employers' organisation, affiliates employers from federations nationwide and sectorial associations of the private sector. And the Ethiopian Chambers of Commerce active in business advocacy and

coordination but not in tripartite fora nor in bipartite relations with CETU or MoLS.

The employers' organisation membership rate is low. According to the Private Organizations Employees' Security Agency (POESSA) dataset from 2018, 51,600 firms were registered, and 1,250 firms were members of an employers' confederation. These data suggest that 2.4% of firms were members of the employers' organisation.

SOCIAL DIALOGUE

Ethiopia has ratified ILO's central social dialogue conventions (C144 and C154) (revisit Appendix Table 5). The Labour Proclamation No. 1156/2019 defines "social dialogue" and sets up environmental protection together with bilateral and tripartite social dialogue mechanisms, not to mention clauses for collective bargaining. It further includes contents of the collective agreement on the establishment and working system of bipartite social dialogue, as well as employers and workers or their respective associations may introduce social dialogue to prevent and resolve labour disputes amicably.

Social dialogue is recognised by social partners in the national tripartite mechanism, mainly via the Permanent Advisory Board (PAB), following the labour market status (see more in the Central Tripartite Institutions sub-section).

At the enterprise level, social dialogue occurs in bipartite relationships, usually represented by Collective Bargaining Agreements (CBAs). Generally, social partners have a low capacity to engage in social dialogue; for instance, there is a low level of education among many union leaders and a lack of awareness about labour legislation at the basic union level; employers are haunted by poorly practical cooperation in labour-employer relations (revisit Appendix Table 7).

Data from CETU show that nine trade unions federations reached 786 CBAs in 2023; two out of three (68%) were upgraded, and one out of three (32%) were signed. They cover at least 500,000 workers, reaching about 8.8% of employees. It remains lower than the trade union density of 14%.

The inclusion of variable pay in collective agreements tends to be results-based; for example, enterprise agreements in the textile sector in Ethiopia link bonuses to output.²⁹

There has been some progress in the negotiation process at the enterprise level; for instance, CETU has established basic trade union negotiator teams. Better CBA negotiators at workplaces have been supported by training and experience sharing for trade union leaders and Working Women Committees (WWC).³⁰

Although the Labour Proclamation recognises the right to collective bargaining and broadly protects the social dialogue, several hurdles exist. The labour market structural transformation has a relatively short track record, exemplified by the recent upsurge in the industry sector. The labour market backbone's heritage has been dominated by smallholder farmers and shadowed by the widespread informal economy. Other factors are that legislation restricts enterprise unions from negotiating wages only at the plant level, and many private-sector businesses simply do not allow collective bargaining negotiations. Civil servants, including public school teachers, may not bargain collectively. The education system is not preparing most students entering the labour market concerning negotiation techniques/skills to manage industrial relations. Reports found that the government controls collective bargaining with cooperatives and mandatory arbitration, as well as intervening in the settlement of collective bargaining disputes.³¹

Central tripartite institutions

Several tripartite institutions function in Ethiopia but have a relatively short track record. The leading institutions' status is summarised below.

Labour Relations Board

The Labour Proclamation No. 1156/2019 introduced one or more Permanent Labour Relations Boards (PLRBs), which should be established in each Regional State as necessary. When disputes arise on labour matters and fail through social dialogue mechanisms at the bipartite level, they go to appeal

to the PLRB to get justice based on tripartite composition. PLRBs are situated in Addis Ababa and Dire Dawa city administration with the legal authority of high courts. Since it comprises social partners, judges that are assigned for the court require better qualifications or competence. However, trade unions and employers' representatives often need capacity building.

Generally, accessibility and lack of capacity are PRLB's main challenges. This board is few in terms of number, throughout the country. Workers use this body, in many places, after they go long distances. Due to the establishment of PLRB, it requires budget allocation, most regions are not willing to establish this board as required.

Permanent Advisory Board

The Labour Proclamation No. 1156/2019 should set up the procedures for establishing the permanent Labour Advisory Board (LAB) with duties and responsibilities. It consists of members representing the government, employers' associations, and trade unions. LAB has administrative characters at high and national level concerning policies, strategies, laws, administration of employment services, and labour inspection services.

Although LAB performs regular tripartite consultations, targets have not been fully achieved due to insufficient staff and resources.³² At the regional level, committees on labour inspection faced challenges such as a limited data system, no complaint forms or initial review process, few internal reviews, irregular tripartism and low compliance verification. Additionally, the establishment of the board is MoL&S's responsibility, and to date it has been very passive during these last three years. It let legislative matters unattended, including delay in passing the minimum wage law (see more in the Working Conditions section).

Labour dispute resolution system

Labour Proclamation No. 1156/2019 recognises different dispute settlement mechanisms, the right to strike and lockout, and the establishment of labour

division courts, appellate courts, conciliators, and labour relation boards. The legislation allows for establishing one or more permanent labour relations boards and ad-hoc labour relations boards in regional states. MoLS can also establish separate boards to deal with disputes at the company level. The boards can arbitrate for replacement, renewal, negotiation, and the commencement of a collective agreement.

Slightly more than half of the labour disputes that go through the mediation process are settled amicably. However, court procedures are often subject to lengthy delays and appeals.

High urban unemployment, fear of retribution, and long delays in hearing labour cases deter workers from participating in the mediation process, including strikes or other labour actions. Lawsuits alleging unlawful dismissal often take years to resolve because of court case backlog.³³

The economic liberalisation in Ethiopia is bringing a more flexible labour market. In recent years, the judiciary at its highest organ, the Federal Supreme Court Cassation Division, began to adopt a more investment-friendly interpretation of labour law provisions.³⁴

Although alternative dispute resolution (ADR) has been used via communal settlement or other forms of conflict resolution through religious leaders, it was only via conciliation and arbitration.³⁵ Instead, the Labour Proclamation No. 1156/2019 brought an alternative dispute settlement mechanism for labour issues linked with the social dialogue framework. This new system could decrease the courts' case backlog. The ADR system brings employers and employees, or their respective associations, to introduce social dialogue into their employment agreements, work rules, and collective agreements to legally prevent and resolve labour disputes amicably. It is popular in the Western legal system as a means of conflict resolution because it is cheaper and faster and has built bridges of friendship. By the same token, if a party is distressed by the ADR decision, they may take the case to the Labour Relation Board or the

appropriate Court. This new ADR system remains novel, though, and as previously mentioned, the industrial relations at the enterprise level remain underdeveloped, challenging its efficiency and impact.

TRADE UNION RIGHTS VIOLATIONS

The Global Rights Index ranked Ethiopia as 4 out of 5+ (5+ is worst) in 2023, registering “systematic violations of rights”, i.e., the government and/or companies are engaged in serious efforts to crush the collective voice of workers, putting fundamental rights under threat.

The International Trade Union Confederation recorded two cases of systematic violations of rights in Ethiopia in recent years, dealing with union busting at Shirts garments condemned and Ethiopian companies interfering in trade union affairs and refusing to negotiate.³⁶ The country has no ILO active Freedom of Association cases.

The Labour Proclamation prohibits and criminalises all forms of forced or compulsory labour. However, the government did not effectively enforce the law, and forced labour reportedly occurred. Reports found that some entrepreneurs allegedly exploited boys in forced labour in traditional weaving, construction, agriculture, and street vending; traffickers also exploited women and children in domestic servitude. Labour recruiters frequently targeted young persons from the country’s rural areas with false promises of a better life; increasingly, traffickers were replicating legitimate app-based recruitment tools to recruit vulnerable populations and exploit them in forced labour illegally.³⁷

Crises heighten the risk of all forms of modern slavery, and climate crisis has accelerated these circumstances. About 727,000 people were living in modern slavery in Ethiopia, ranking as number 13 out of 50 African countries on the Global Slavery Index (1 is the worst score) in 2023.³⁸ This index measures modern slavery, i.e., slavery-like practices (such as debt, bondage, forced marriage and sale

or exploitation of children), human trafficking and forced labour.

WORKING CONDITIONS

The Labour Proclamation 1156/2019 provides the legal basis to set minimum wage, which for the first time establishes a Minimum Wages Board to regulate minimum wage for workers. The board was recently established, with representatives from the government, employers’ organisations and trade unions, and other stakeholders. The government planned to ratify the minimum living wage in May 2020, but it got stalled because of the Covid-19 pandemic, internal conflict, and rupture in social dialogue. In March 2024, there is still no national minimum wage established.

Instead, government institutions and public enterprises set minimum wages. For instance, public sector guards and labourers, the largest group of wage earners, could receive a monthly minimum salary per grade and skill level from a minimum of 420 birr (US\$7.5) in February 2024 (see more details in Appendix Table 9). This wage is outdated, with no adjustment since 2011, not to mention below the national poverty line threshold. It is worth mention that just 6% of the total employment gains these public sector minimum wages; the rest are voided to benefit from minimum wages.

Ethiopia’s minimum wages are among the lowest among the neighbouring countries, and the high inflation in consumer prices hollowed out the already too-low minimum wages. The real salary growth (deducting inflation in consumer prices) deteriorated; for instance, the real mean wage growth per month fell by 11% from 2021 to 2022.

To curb this negative trend that limits low-income earners’ ability to meet basic needs, the government launched tax and expenditure measures, including cash transfers for households, wage subsidies for employees, and unemployment benefits for the self-employed. The filing and payment deadlines for personal income taxes have been delayed. But most of the support to households was affected through direct transfers rather than

tax measures (see more in the Social Protection section). Besides, families regularly supplemented their incomes by working in micro-businesses or subsistence agriculture. It is also worth mentioning that income tax payable functions with an exempt threshold from birr 0 to 600 (US\$0-11) per month.

Specific laws on inspection sanctions or administrative procedures exist in Ethiopia. Labour inspectors cannot issue fines directly, where the District Court imposes penalties. There are no laws or regulations regarding inspectors' power to suspend work in cases of imminent danger to the health and safety of workers. However, a new degree course has been set up at the university level to train inspectors in occupational safety and health. In 2021, 537 labour inspectors were registered in Ethiopia, equalling one per 10,000 employees, representing just 14% of the total employment. The inspectors' coverage of total employment was estimated at one inspector per 69,000 workers. The ILO recommended one per 40,000 workers in less developed countries.³⁹ It suggests that Ethiopia must employ at least 920 labour inspectors among employment.

The employers' responsibility to protect Occupational Safety and Health (OSH) safety aligns with international standards at the policy level. However, mandatory workplace policies are rarely in place or in focus for enforcement. Cases of injuries go unreported and without investigation. In addition, OSH standards do not adequately address worker safety among domestic workers and seasonal agricultural workers who are excluded from these workplace regulations.⁴⁰

Ethiopian workers face high income insecurity. For most, the day is not structured by regulated working time. Employment is the result of low monetary demand for products and services, which translates into high labour competition and low income.

WORKFORCE

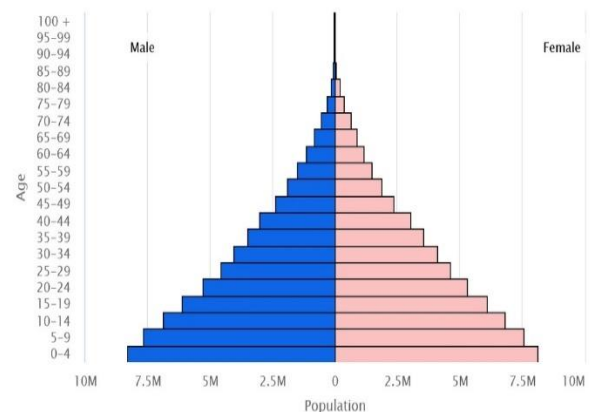
With about 129 million people in 2024, Ethiopia is the second most populous nation in Africa after Nigeria and the 11th in the World. The country's

demographic landscape demonstrates one of the African countries with a relatively fast-growing population based on an annual population growth rate of 2.6%. About 39% of Ethiopia's population was under age 15. The fertility rate (births per woman) fell from 7.2 in 1990 to 4.2 in 2021, below the sub-Saharan Africa average of 4.6%. It signals that Ethiopia is on the path to a population age structure enabling a demographic dividend.

Figure 4 below visualises Ethiopia's demographic pyramid. Estimations suggest that more than two million youth are entering the labour market every year, and the working-age population is expected to grow to up to 94.2 million by 2025, which will increase pressure on job creation.⁴¹

The country also faces an ageing population, supported by an upsurge in life expectancy: life expectancy at birth increased from 45 in 1990 to 65 in 2021, superseding the sub-Saharan African average by a five-year gap. The share of persons over 60 is projected to grow from 5% in 2019 to 9% in 2050.⁴² It is anticipated to bring mounting financial pressure on social protection, such as health and eldercare pensions (see more in the Social Protection section).

Figure 4: Population pyramid based on the Age-Sex structure of the population in Ethiopia, 2023



Source: Central Intelligence Agency, *The World Factbook*, Ethiopia.

The latest Labour Force Survey from 2021 shows Ethiopia's employment-to-population ratio reached 60%. It fell almost ten percentage points since 1999, supported by an upsurge in school enrolment at all levels. Despite progress in access to education

throughout the country, the workforce remains low-skilled, aligning poorly with the labour needs of different sectors (see also Appendix Table 11).

Employment in the central economic sectors has experienced some shifts, mainly a drop in agriculture's share from 80% in 1999 to 62% in 2021, while 'other sectors' (excluding industry and wholesale/retail trade) increased from 10% to 22%, linking with an urbanisation process. The development of employment share in the industry and wholesale/retail sectors have not demonstrated upsurges, grasping around 5% and 6%, respectively. Despite these broader changes of Ethiopia's employment patterns, they have not substantially modified into formalisation.

Approximately half of Ethiopian employed persons were self-employed, and 37% registered as unpaid family workers. Workers in employer-employee relations represent a small group dominated by micro-enterprises in which the owner is a worker-employer with very little add-on wage labour. The share of government employees accounted for 6% at the national level.

The employment structure remains haunted by informality, linked with dominating subsistence agriculture in rural areas. Instead, formal employees are primarily present in urban areas, but at least one of four operates in informality.

Generally, micro-, small- and medium-enterprises (MSMEs) are spread across all sectors. A majority are micro-enterprises; for instance, data from Addis Ababa indicate that out of all the licensed enterprises, 75% are micro-enterprises, 21% are small enterprises, and the remaining 3.7% are medium and large enterprises.⁴³ The private sector remains nascent and is constrained by structural challenges. For instance, employers represent just 0.4% of the total employment in Ethiopia, glimpsing the weaknesses of structural entrepreneurial development. These MSMEs face a high cost of doing business, lack of access to the market, lack of network across value chain actors, and strong constraints in accessing finance.⁴⁴ The informal micro and small enterprises' scope is further challenging

the application of unionism, collective bargaining, and general labour and business regulations in practice.

Ethiopia's labour share of national income has been stable during the last decade at around 41%. This share stands in line with the neighbouring countries. A transformation involving the rising power of new technology, Just Transition, and the widespread informal economy question Ethiopia's capacity to reach the Sustainable Development Goal of adopting policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality (SDG 10.4.1).

Ethiopia's Jobs Creation Commission launched the Plan of Action for Job Creation Sustainable Jobs for All (2020-2025). The plan aims to foster the business environment and conditions necessary to create 14 million jobs by 2025, to absorb the unemployed, and to ensure that jobs are waiting for new entrants to the workforce. Reaching the plan's goals was dared by accelerating ruptures triggered by Covid-19, internal conflicts, and climate change impacts.

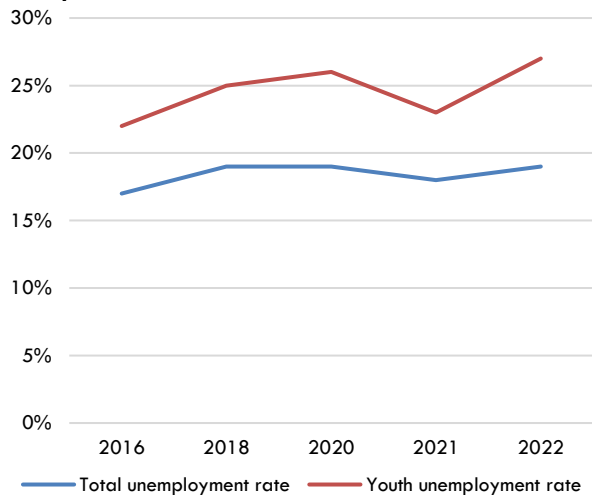
Unemployment

Ethiopia's official data shows that the unemployment rate was 8.0% in 2021. It is mainly an urban phenomenon: the urban unemployment rate was already high, at 19% in 2019, before the Covid-19 pandemic, and it did not change at the beginning of the 2020s (see Figure 5). The country's unemployment rate is relatively lower than the sub-Saharan Africa averages linked with the still comparatively low urbanisation rate (see more in the Migration sub-section).

Like in most other countries, Ethiopian youth is sticked by higher unemployment: The high urban youth unemployment rate reached 25% in 2018 and it increased to 27% in 2022. Besides, the rural youth unemployment rate has been on the rise, grasping 8.1% in 2021. These relatively high unemployment rates parallel that the labour market is not generating sufficient new jobs. It suggests that the Plan of Action for Job Creation Sustainable Jobs

for All 2020-2025 is struggling to reach their goals to create 14 million jobs by 2025 as well as the SDG's target to achieve full and productive employment and decent work is in limbo.

Figure 5: Unemployment rates in urban areas in Ethiopia, 2016-2022



Source: Ethiopian Statistics Service.

Another factor is the high unemployment gender gap; for instance, the urban youth unemployment rate diverged by 16% for men and 29% for women in 2021 (see more in the Gender sub-section).

Subsistence farming is occupied during planting and harvesting but not engaged full-time throughout the year, creating some “disguised unemployment.”

Currently, there is no provision for unemployment benefits under Ethiopian labour legislation, and there is no functioning unemployment insurance scheme. Instead, many are entering casual or informal activities as a survival strategy to generate some earnings (see more in the Informal Economy and the Social Protection sections).

It is worth mentioning that unemployment is statistically a part of the total employment group, excluding people outside the workforce. Around 35% of the working-age population in Ethiopia was estimated to be economically inactive in 2021, hiding significant potential unemployment.

Migration

Ethiopia has undersigned central international migration conventions but has not ratified ILO's migrant-specific instruments. The country has no overall migration framework. Instead, it has several migration-related laws and policies, including the Diaspora Policy, Immigration Proclamation, Refugees Proclamation, Overseas Employment Proclamation, and Proclamation on Trafficking and Smuggling of Migrants.

The stock migrant population represents 17% of the total population (not including the Tigray region), concentrated in Addis Ababa and Gambela regions.⁴⁵ A dual migration pattern of internal migration is emerging: a move toward urban areas in search of work and some urban-to-rural flow due to the high urban unemployment rate.

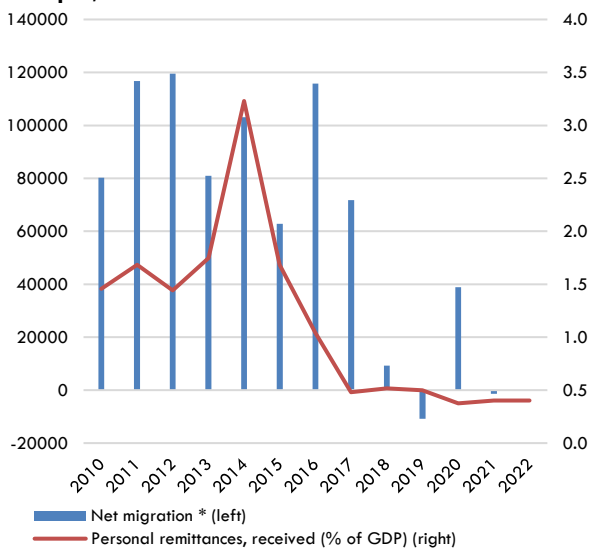
The adverse impacts of climate change worsen each year with high economic and labour costs; for example, the agricultural-based workers fell by 17 percentage points from 2005 to 2021, causing usable land to be eroded and degraded to meet agricultural needs. A glimpse of its scope is displayed by a large segment of internally displaced people (IDPs) associated with disaster – floods and drought – that accelerated at the end of the 2010s, peaking at 873,000 persons in 2022. Also, internal displacements were triggered by long-standing internal conflict, affecting 14.1 million people from 2008 to 2022, especially it erupted in northwestern Tigray at the end of the 2010s. The country even set a world record for displacements in 2021; the number of IDPs peaked at 3.9 million in 2022.⁴⁶

Since jobs are more readily available in urban than rural areas or camps, the high IDP flow has accelerated the urbanisation rate faster than official records, reaching 23% in 2023 and expected to reach nearly 40% by 2050. Fast urbanisation often grows unsustainable; for instance, it would require rapid job creation, although the country is already haunted by a high urban unemployment rate of 19% in 2022.

The global stock of Ethiopian emigrants was estimated to be up to at least 839,000 in 2021, about 0.9% of the total population.⁴⁷ This outflow is driven by youth with the top destination countries from the Middle East countries, with Saudi Arabia as top destination for about 31% of all emigrants; South Africa is also targeted with a share of 12%. Ethiopia has signed several bilateral labour agreements and Memorandum of Understanding to improve the protection of Ethiopian migrant workers, namely with the Kingdom of Saudi Arabia, the United Arab Emirates, Jordan, Lebanon, and Qatar. Negotiations for agreements are underway in Bahrain and Kuwait.

Figure 6 shows that more arrive than leave the country, except in 2019, but the net migration became more balanced in recent years, playing an increasing a pivotal role in regional migration through Africa.

Figure 6: Net migration and personal remittance in Ethiopia, 2010-2022



* Net migration is the number of immigrants minus the number of emigrants, including citizens and noncitizens.

Source: The World Bank, World Development Indicators.

Many emigrants operate with irregular means and often do not have proper documentation. Some encounter obstacles, such as human trafficking, abuse, and exploitation, or even a forced labour situation. Reports found that most migrants face long working hours without rest and overtime pay, confiscation of passport, lack of freedom of association, irregular payment of salary or no

payment at all. The lack of skills or qualifications recognised by destination countries frequently forces migrants into underemployment, low-paying, and low-skilled jobs linked with economic vulnerability and limited upward mobility.⁴⁸

The Ethiopian Overseas Employment Proclamation No 923/2016, amended in 2021, is considered a step forward in managing labour migration and ensuring the rights, dignity, and safety of Ethiopian workers overseas. As mentioned, the absence of a comprehensive labour migration policy hinders the country's commitment to improving governance.⁴⁹

Ethiopian diaspora sends personnel remittances, and its volume has dwindled since 2015, turning down to 0.5% of GDP in 2017-2019, with a further slight dip at the beginning of the 2020s caused by the Covid-19 pandemic (revisit Figure 6). These transfers are not only used on basic living expenses but also provide opportunities to start small-scale business ventures, purchase consumer products, and spend on housing improvements. Remittances are lower than foreign direct investments and net bilateral aid flows from DAC donors, even though the latter experienced a similar fall, reaching 2.4% of GDP in 2021.

Ethiopia is a prominent destination for many migrants, particularly those fleeing conflict. The country has an advanced regime for the protection of forced migration and hosts over 823,000 refugees and asylum seekers, predominantly from South Sudan, Somalia, and Eritrea. The majority live in 24 refugee camps established across five regional states. Over 70,000 others reside in the capital, Addis Ababa, as urban refugees.⁵⁰ Ethiopia's Refugees Proclamation No. 1110/2019 provides that refugees will have the right to engage in gainful employment on an equal basis with the most favoured foreign nationals in Ethiopia. Although refugees should be placed on par with ordinary foreigners concerning their right to engage in wage-earning employment, it remains restrictive, and only a few highly skilled refugees will have access to the job market.⁵¹

Informal Economy

The informal economy is Ethiopia's largest provider of employment and livelihood opportunities. According to the latest labour force survey, around 85% of workers were in informal employment in 2021. Even Ethiopia's major export commodities, such as live animals, coffee, chat, fruits, and vegetables, are often traded informally.⁵²

Informal workers are working in precarious and vulnerable conditions, with no formal contract, often subject to poverty, insecurity, and sidelined for social protection insurance schemes.

Ethiopia's government has promoted policies to improve the transition to the formal market for the private sector and strengthen public services and state-owned enterprises (see Appendix Table 9). Still, the costs of doing business remain high, exacerbated by the weak regulatory framework, limited access to finance and electricity, high trade logistics costs, and small domestic market (revisit Appendix Table 8). The state does not obtain tax revenues from people without work contracts. Besides, income generation in the informal economy is generally below subsistence levels, and the official estimate for the poverty income level was 315 birr (US\$11) per month. Lack of firm-level growth and innovation limits firms' ability to achieve economies of scale.⁵³

Recent studies found that Ethiopia's informal economy is well organised, with two-thirds being members of an association, a cooperative, or an indigenous organisation such as an Iddir (insurance) or an Eqqub (saving). Most informal workers join social groups to obtain social services. However, these informal workers' organisations are local. This factor limits their ability to participate in national policymaking, decision-making or social dialogue, not to mention missing a national forum for formalising the informal economy. Ethiopia's trade union movement has not effectively promoted initiatives to organise workers from the informal economy to achieve a critical mass for social demands.⁵⁴

Child Labour

Ethiopia's children below 15 years old were estimated to be 43% of the national population. Generally, Ethiopian children's share of the total population is falling. Instead, the 'demographic dividend' gains more weight on the proportion of working people in the total population.

The country has ratified key international conventions concerning child labour, including ILO's two conventions on effectively abolishing child labour (see Appendix Table 5). The government also has established several laws linked to child labour, including the Labour Proclamation No. 1156/2019. Currently, the government operates with the National Action Plan to Eliminate the Worst Forms of Child Labour (2021–2025). Although the government has established institutional mechanisms for enforcing laws and regulations on child labour, gaps exist within the operations of enforcement agencies. Reports argued that the country made "moderate advancement" in efforts to eliminate the worst forms of child labour.⁵⁵

Trade unions and workers' associations have participated in raising awareness of child labour via mainstreaming child labour issues into policies and programmes of workers' groups, as well as promoting enforcement of child labour laws. For instance, a collective bargaining agreement introduced a clause of working jointly to eliminate hazardous child labour from the enterprise and child labour generally.⁵⁶ In 2021, CETU launched the Combating Modern Slavery in Ethiopia project that looks at reducing the prevalence of children in slavery through prevention, restoration, and capacity strengthening.⁵⁷

According to the latest child labour survey data, Ethiopia's child labour rate reached 43% of the total number of children aged 5 to 17 years in 2015, which was one of the highest rates in the world, significantly above the African average of 20%.⁵⁸ Taking into consideration that hazardous work among children, which is linked with dangerous or unhealthy conditions, was an even more alarming high of 23%.

The root of child labour in Ethiopia relates to household poverty, low parental education, social norms, lack of access to education or enforcement of compulsory schooling and voided social security. In addition, family disintegration due to divorce, various conflicts, war and civil strife, drought and resettlement, orphan-hood due to AIDS, and urbanisation have consequences of child labour.⁵⁹

Child labour is more visible in rural areas, usually in family settings, coupled with cultural heritage interlinking with the tradition of children working alongside adults in the fields. Also, children in child labour often lack education and weak coverage of government services. Child domestic work is a hidden phenomenon that is challenging to tackle because of its associations with social and cultural patterns. Children who work receive a lower income than adults; they are not unionised and do not demand workers' rights.

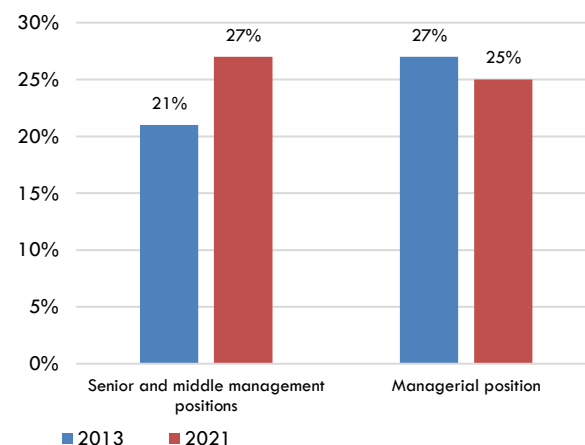
Gender

Ethiopia has demonstrated political will to promote gender equality and is committed to central, regional, and international conventions and protocols. Numerous legislative reforms support women's empowerment, including the Labour Proclamation No. 1156/2019, dedicating an entire chapter to women workers, prohibiting gender-based discrimination and women from undertaking hazardous work, and regulating maternity and paternity leave. Generally, the country's laws and regulations around the life cycle of a working woman score 77 out of 100 (100 is best) in 2022, relatively higher than the regional average across sub-Saharan Africa at 73. However, they still face a worrisome low ranking on the indicator measuring laws affecting women's pay; for instance, in the scope of the gender pay gap for those paid in formal employment, women receive 26% less than men on average.⁶⁰ Constraints related to marriage, laws affecting women's work after having children, and regulations affecting the size of a woman's pension also still have some weaknesses (see more details in Appendix Table 12).⁶¹

The Ten Years Development Plan (2021-2030) emphasizes gender equality and social inclusion, but other more specific labour-related gender policies appear outdated. It is worth noting that despite the broad legal gender-related framework, deep-rooted cultural values and traditions perpetuating gender stereotypes still prevail, holding women back from the labour market.

The participation of Ethiopian women in leadership is a path to strengthening gender equality commitment and increased confidence among other women to play a role in decision-making organs around the country. Data suggest that the proportion of Ethiopian women in senior and middle management positions is rising while taking steps down in managerial positions (see Figure 7). On the other hand, the country has by far the highest share of seats in parliament held by women compared to the closest neighbouring countries, currently at 40%.

Figure 7: Proportion of women in senior and middle management positions and in managerial positions trends in Ethiopia, %, 2013-2021



Source: International Labour Organization, ILOSTAT.

Table 2 below displays the scope of Ethiopia's gender gaps in the employment structure. During the last decade, the employment-to-population ratio fell by 14 percentage points for men and 19 percentage points for women, partly due to the growing enrolment in education at all levels. Despite improvements of gender equality at the policy level, still fewer women are employed than men. Ethiopian women primarily work as crop farm labourers, domestic cleaners and helpers, stall and

market salespersons, and shopkeepers; others facing a significantly higher unemployment rate than men. Most women also face a ‘double burden’ pushing many into informal part-time activities linked to time constraints from domestic chores.

Table 2: Key indicators for employed gender gaps in Ethiopia, 2022

	Men	Women
Participation rate	73%	57%
Employment share	58%	42%
Unemployment rate	5.0%	12%
Employees share	64%	36%
Informal employment rate	41%	51%

Source: Ethiopian Statistics Service, *Statistical Report on the 2021 Labour Force and Migration Survey, 2021*; International Labour Organization, ILOSTAT.

The global Gender Inequality Index (GII) reflects the scope of gender disparities, ranking Ethiopia 129 out of 162 countries (1 is best) in 2021. This low ranking is supported by Ethiopian women having a lower rate of at least some secondary education, a significant gender gap in the workforce participation rate, and a relatively high maternal mortality ratio.

Youth

Like many other African countries, Ethiopia’s population structure is characterised by a ‘youth bulge’, i.e., the relatively significant increase in the youthful population. Ethiopia is a young country, with 71% under age 30; youth aged 15-24 years represent 18.2 million (32%) of the working-age population in 2021.⁶²

The average income per capita should increase if young workers can be fully employed in productive activities increases. Data show that Ethiopia’s income per capita is rising, suggesting that the youth bulge supports a demographic dividend. On the other hand, many young Ethiopian workers cannot find employment and earn a satisfactory income, mirrored in the high youth unemployment rate concentrated in urban areas (revisit Figure 5). It could end into a “demographic bomb” because a large mass of frustrated youth will likely become a potential source of social and political instability.

Ethiopia has a mixed specific policy framework for youth employment, especially the 2008 National Technical and Vocational Education and Training Strategy (NTVETS), the 2009 National Employment Policy and Strategy (NEPS), and the 2016 National Employment Policy and Strategy (NEPS). Youth employment is further mainstreamed into several other sectoral, institutional and inclusiveness policies.

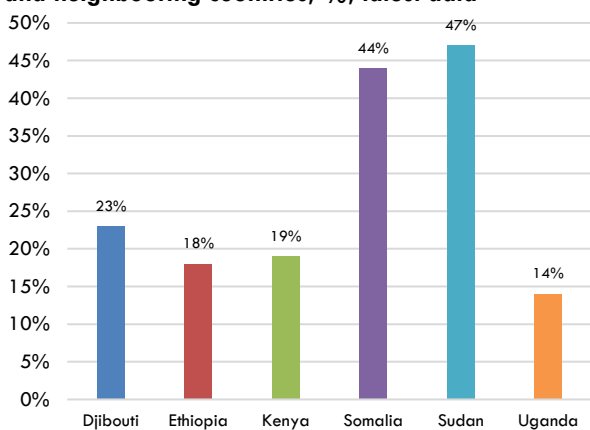
Reports found that policies focus on promoting youth employment in agriculture. Supply-side actions, including skills development and entrepreneurship support, are also prioritised.⁶³ Other factors suggest that these policies’ impact on addressing youth employment appears to be meagre; for instance, the high women youth unemployment rate and their elevated not in education, employment, or training (NEET) rate (see ahead).

According to Ethiopia’s constitution, every citizen, including youth, has the right to participate in the country’s development process. Although the government has made progress in creating an enabling environment for youth participation, there are still gaps in dialogue due to the limited involvement of youth concerning policy issues.⁶⁴ It supports the fact that Ethiopia’s latest ranking on the Global Youth Development Index (YDI) was 158 of 181 countries (1 is best) in 2020, placed among ‘low youth development’. On the positive side, the country is among those with the most significant improvement in YDI score.

The government promotes employment programmes and training of job seekers for young people. As previously indicated, Ethiopia’s trade union density of employees increased significantly during the last decade, benefitting the upsurge of youth employees in the Special Economic Zones. The nature of the job market is changing, and the mounting group of better-educated youth brings pressure on decent job creation, gearing to oversupply. Educated youth face hurdles entering the labour market, including a lack of access to job availability and job training information. It further supported the emigration outflow, considered one of the youth’s solutions to escape unemployment.

The not education, employment, or training (NEET) rate landed 18% in 2021, in line with several neighbouring countries (see Figure 8). The NEET rate exemplifies a gender gap, catching 25% for young females and 9.9% for males. It is worth mentioning that young people with disabilities are severely disadvantaged in labour markets; for instance, the NEET rate of young men with disabilities is over five times as high as the NEET rates of young men without this additional obstacle.

Figure 8: Status of proportion of youth not in education, employment, or training (NEET) in Ethiopia and neighbouring countries, %, latest data



Source: International Labour Organization, ILOSTAT.

Those young men and women who work often lack job security or insurance benefits. Instead, most have activities in the informal economy with underemployment, temporary or part-time, often under poor working conditions. This group often need more training and career opportunities among those earning less than the minimum wage compared to the non-youth groups.

EDUCATION

The mentioned 'demographic dividend' has created a substantial working-age cohort in Ethiopia, many of whom are in school, challenging the education system that can support a modernised economy in progress.

Ethiopia's government has anchored equitable access to education, supported by a broad legal and policy framework. It has delivered some educational improvements; for instance, the youth

literacy rate increased by 23 percentage points during the last two decades with a minor gender gap, getting close to the sub-Saharan African average of 76% of population. Another reflection is that net enrolment in primary school education grew rapidly, reaching 89% in 2021.

The country's government expenditure on education has been high at 27% of total government expenditure, significantly higher than the sub-Saharan African average of 17%. Ethiopia has also reached the international Education 2030 Framework for Action's benchmark for government financing of education, allocating at least 4% to 6% of its GDP.

Despite some positive results, the education system still faces many challenges. The need for basic mass education runs out when raising education quality standards; for instance, the education system remains under-resourced and faces a fast pace of changes in labour market demand. Although most children enrol in school, many still need to progress, with only 33% making it to secondary school. The quality of learning is a major task, with 90% of 10-year-olds not knowing how to read or understand a simple text-based sentence. The likelihood of children going to school, staying in school, and performing well is significantly lower in rural settings.⁶⁵

The combined impact of Covid-19, internal conflict, and climate change has contributed to at least 13 million children being out of school in Ethiopia, with long-term consequences for their future.⁶⁶ This situation will most likely push many children into child labour and oppose other facets like teacher absenteeism, overcrowded schools, learners' long distances to and from schools, and a general lack of quality education delivery. Many rural schools have poor-quality infrastructure, where many schools organise sessions under trees, sheds, and dilapidated structures without adequate desks.

Like in many other African countries, the young population transitioning from education to work gets better educated. Still, the labour market is not offering sufficiently decent jobs, a fact echoed by

the relatively high youth unemployment rate (revisit Figure 5). Many graduates struggle to find employment due to the mismatch between the skills they acquire through the education system and those required by employers, often ending in the widespread informal economy.

Vocational Training

The Technical and Vocational Education and Training (TVET) sector has the dual responsibilities of training the Ethiopian youth for wage and self-employment.

The Ethiopian government has established a legal and policy framework to improve and develop the TVET system (Appendix Table 13). The latest initiative is the Ethiopian Education Development Roadmap (2020-2030), promoting a TVET reform to prioritise skills development for major sectors: agriculture, manufacturing, industry, mining, tourism, and Information and communication technologies (ICT). Reforming the TVET sector became complicated due to emerging factors from Just Transition, the Fourth Industrial Revolution, the aftermath of the Covid-19 pandemic, and the internal conflict in the Tigray region. These factors led to a deterioration of budget allocations, the disruption of classes, infrastructural damage, and the irregularity of the academic calendar.

The Ministry of Science and Higher Education (MSHE) is responsible for technical and vocational education. It links with the Federal Technical and Vocational Education and Training Agency (FTVETA), which is accountable for implementing the TVET system at the federal level and developing occupational standards in line with the TVET National Qualification Framework (NQF). MSHE further coordinates with regional education offices and sub-regional education offices. The TVET governance has been disturbed by fragmentations. In December 2023, the Ministry of Labour and Skills (MoLS) launched the Ethiopian TVET Think Tank to transform the sector.

Ethiopia is increasingly recognised for public-private partnerships (PPPs) to promote

development in the TVET system. For example, the Confederation of Ethiopian Trade Unions (CETU) and the Ethiopian Employers' Federation (EEF) are involved in different training programmes, exchanging best practices among members, managing technical training, and developing training manuals.

In Ethiopia, there were 1,611 TVET institutions (42% public, 55% private, and 3% NGOs) in 2021.⁶⁷ TVET is often underestimated, and the enrolment rate has not followed the pace of other education. The TVET share of recurrent spending at the national level shows a mere 5% of the overall education spending. Despite the positive effects of TVET on employability, public vocational schools are often viewed and chosen as a last resort of education or an alternative to general education, especially for those who were denied to proceed to further education like upper-secondary schools. The wealthiest households dominate the education participation at the higher levels; for instance, children from the poorest income quintile have just 1% access to TVET.⁶⁸ The proportion of 15–24-year-olds enrolled in vocational education is 1.7%, slightly above the sub-Regional Africa average.⁶⁹ Ethiopia's female TVET enrolment share is relatively high at 49%. The TVET institutions are considered unable to meet demand from both industry and the public sectors due to limited enrolment and a lack of relevant skills.⁷⁰

Business development centres have been promoted in Ethiopia as hubs of entrepreneurship, fostering innovation and empowering small businesses to flourish. These centres offer training in business competencies and other services necessary to support successful business development. Although small and medium enterprises (SMEs) are prioritised, all economic operators are eligible for these services. Ethiopian firms (excluding micro-enterprises) offering formal training programmes increased slightly during the 2010s, reaching 41% of firms in 2019. It remains higher than the sub-Saharan African average of 27%.⁷¹ Formal firms represent a relatively small group compared to the widespread informal micro and small enterprises, left without a voice in the TVET system.

In the informal and non-formal TVET sectors, Ethiopia's government works with NGOs, private agencies, and private schools to offer targeted training to people in the informal economy, including school leavers, the unemployed, school dropouts, and marginalised groups in the labour market.

The education sector faces oversupply and skills gaps, and some TVET graduates cannot secure employment even in highly demanded jobs. Studies found that entrepreneurship training lacks practical application and has yet to enable graduates to initiate self-employment as an alternative to salary employment. Updating TVET teacher education is also of importance.⁷²

Fourth Industrial Revolution

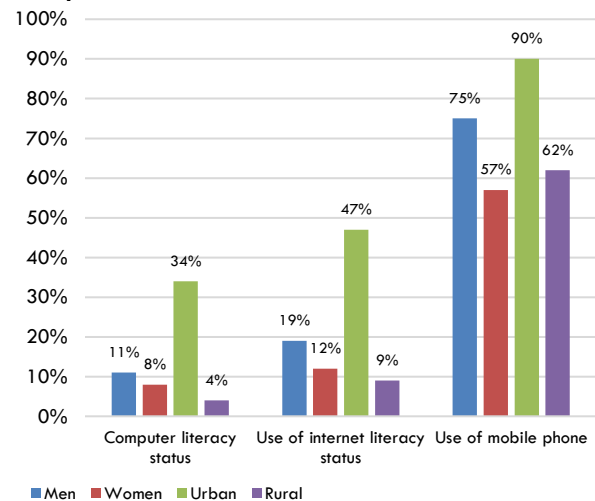
Ethiopia's labour market faces the dual challenges of employing a sizeable young population while coping with the disruptions caused by the Fourth Industrial Revolution (4IR). The 4IR phenomenon is in its infancy phase, using artificial intelligence (AI), digitalisation, biotechnology, and global connectivity, intertwining into production systems, management, and governance. The fear factor for AI and automation is replacing many low-skilled and medium-skilled workers.

The country's ICT landscape is rapidly evolving. The government emphasised ICT during the last decade via policy and strategy initiatives. Recently, in 2020, the government launched a national digital transformation strategy, aspiring to digitise the economy by 2025. The current contribution of the communication sector to GDP reached about 2%, compared with the 4% average in the Eastern African region.⁷³

Figure 9 shows that the country still faces relatively low digital literacy, making it a barrier to accessing education services, especially for students from low-income families. Many schools lack the necessary infrastructure to support technology use, such as electricity or internet connectivity. As an indication of the scope of digital literacy of employed Ethiopians in 2021, the total computer literacy

status reached 10%, use of internet literacy 16%, and use of mobile phones 67%. Gender gaps and urban-rural divides haunt these factors (see more details in Figure 9).

Figure 9: Digital literacy of employed persons in Ethiopia, 2021



Source: Ethiopian Statistics Service, *Statistical Report on the 2021 Labour Force and Migration Survey, 2021*.

Ethiopia's ICT industry is mainly driven by its young entrepreneurs and the government's strategic policies. However, it lags in ICT adoption. The integration of ICT in high schools is still in its beginning stages due to a lack of infrastructure, insufficient funds, technical and administrative support, and teachers' knowledge.⁷⁴ Nevertheless, due to the steadily growing universities in Ethiopia, there is a mounting number of ICT graduates. Ethiopia's untapped telecommunications sector, liberalisation plans, and ICT parks make the ICT sector a potential industry for decent job creation.

The ICT outsourcing industry is small compared to its African peers, but it can benefit from a large pool of low-cost, tech-savvy workforce. In 2021, this sector was estimated to be worth US\$34 million and employed over 3,350 people. Language issues, reliable internet connectivity, and high bandwidth costs are notable challenges to becoming an outsourcing hub. For example, few Ethiopians can speak English, French, Italian or any of the world's more widely spoken business lingos, with inheritance as the only African state never colonised by the West. Regarding internet connectivity and

bandwidth, the Ethiopian state has dominated the telecom and internet networks but initiated to liberalise the sector in 2018.

Struggling to survive in a competitive job market of digital automation can take extra stress for workers in Ethiopia, bringing new challenges for the trade union movement. For example, the effects of “casualisation” and “externalisation” could emerge with an increasing number of part-time and contractual workers. These factors led to employment vulnerability, making it more difficult to unionise.

SOCIAL PROTECTION

Ethiopia has ratified several African Union and United Nations conventions that require the government to develop policies, strategies, and programmes on social protection. For example, the country endorsed ILO’s fundamental Occupational Safety and Health Convention (C155) but not yet the fifteen social security conventions (see Appendix Table 5). The right to social protection was inscribed in the constitution. A recent social protection mapping exercise concluded that the country has a robust legislative framework to promote social protection programmes effectively.⁷⁵ Several new draft bills are in progress to establish a national social protection council, a national social protection fund, and promote community-based health insurance.

The social protection system is guided by the National Social Protection Policy (NSPP), adopted in 2014. It paved the way for expanding a range of social protection interventions, including the National Social Protection Strategy (NSPS 2016) and different sector-specific strategies such as the Urban Food Security and the Job Creation Strategy (see more in Appendix Table 14). It is worth mentioning that the NSPP did not apply a lifecycle approach. Instead, it operates by financing methods of social protection (contributory and tax-funded) or types of programmes or schemes (social assistance, social insurance, and social services). However, a review of the NSPP was initiated in

2023, focusing on a lifecycle approach that leads to promoting universal social protection.⁷⁶

The trade union movement and employers’ organisations are involved in expanding social protection coverage extension to all workers in the formal sector and informal economy.

The latest available data shows that aggregated social protection expenditure (excluding health) was low at 0.7% of GDP in 2017. Only 7.4% of the population was covered by at least one social protection benefit, pointing out that social protection insurance is out of reach for most Ethiopians (see more in Appendix Table 15).⁷⁷

The two central contributory social protection schemes are: i) the public servants’ social security that covers 2.5 million public workers; ii) the private organisation employees’ social security schemes grasping 1.7 million members (about 3.6% of the population), mirroring the widespread informal economy and dominance of subsistence farming.⁷⁸ Besides, coverage of social insurance programmes have significant leakages to wealthier households.

Concerning non-contributory social protection programmes, data suggest that coverage of social safety net programmes reached 21% of the population at the end of the 2010s. Although they caught the poorest quintile, there were leakages to the richest quintile.⁷⁹ It is worth mentioning that the coverage of these programmes hardly changed during the Covid-19 pandemic period.⁸⁰

The 2011 social security reform mandated employer-provided pension and disability benefits for workers in the formal private sector. Employers must contribute 11% of the employee’s basic salary to the scheme, while the employee contribution is 7%. Studies found that the reform led to a sharp increase in non-wage labour costs, notably higher among firms without pre-reform provident funds offered voluntarily. There was no evidence of employers switching the cost of pension benefits to workers in the form of lower wages. The reform further suggests to have reduced firm-level employment, which was more substantial among

firms without provident funds. The reduction in employment has come almost entirely from among low-wage workers, changing the skill composition of the workforce.⁸¹

The coverage of persons above retirement age receiving a pension plummeted from 15% in 2016 to 3.9% in 2020. This worrisome trend resulted in the impact of the Covid-19 pandemic and previously mentioned internal conflicts. Considering the country's ageing population, expanding retirement pension coverage remains a major challenge in Ethiopia.

There is no provision for unemployment benefits under Ethiopian labour legislation. The country does not have unemployment insurance schemes, implying that most of the unemployed are supported by the income earner in the household. It is worth mentioning that containing the Covid-19 pandemic and its impact on jobs and incomes in Ethiopia, a response plan was prepared: Its highest scenario – a high-intensity epidemic with large lockdown – was introduced to expand unemployment benefits and establish emergency disbursement measures.⁸² It was not activated, though. On the other hand, initial stages were taken in 2023 to establish an unemployment insurance scheme.

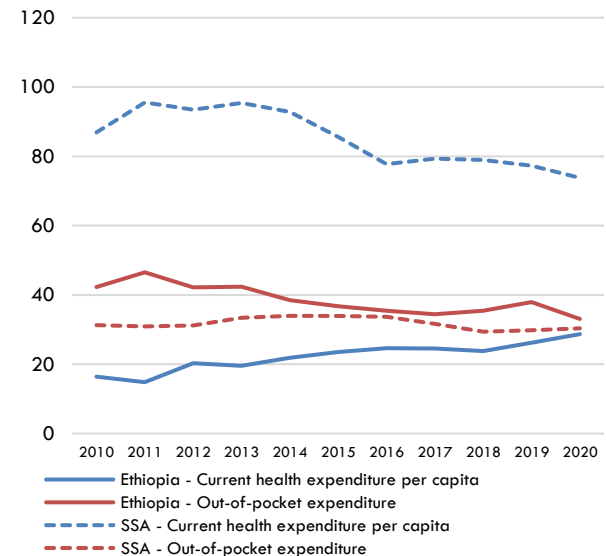
In 2019, paid maternity leave increased from 90 to 120 days, and, for the first time in Ethiopian history, three days of paid paternity leave were provided for private sector workers; men in the civil service had ten days. The reform process took several years, with the Confederation of Ethiopian Trade Unions (CETU) playing a significant role. Official data on maternity/paternity leave coverage are scarce. The shallow coverage of other maternity/paternity insurance schemes suggests that few workers benefit from leave.

Subsidies have been central to Ethiopia's social protection system for decades and contributed to poverty reduction. Overall, subsidies and other social benefits peaked at 73% of expenses in 2012, steadily falling to 52% in 2019 but with a minor upturn in 2020 due to the Covid-19 pandemic.⁸³

The country has achieved remarkable progress in its healthcare sector during the last two decades, marked by substantial reductions in maternal and child mortality rates, increased life expectancy, and extending immunisation coverage. The universal health service coverage index was low at 35 (on a scale of 0 to 100; 100 is best) in 2021, varying across internal regions. Significant challenges persist in ensuring equitable access to quality and affordable healthcare services, especially in rural areas.

The country's health out-of-pocket expenditure is falling while spending on health per capita is rising, which remains far below the sub-Saharan Africa average. The health spending's upsurge has not followed the pace of economic growth, reflected in dwindling government health expenditure of GDP. Ethiopia lost the World Health Organization's minimum threshold of 4% of GDP since 2015 (see more details in Figure 10).

Figure 10: Current health expenditure per capita (current US\$) and out-of-pocket expenditure (% of current health expenditure) trends in Ethiopia and sub-Saharan Africa (SSA), 2010-2020



Source: The World Bank, World Development Indicators.

The Ethiopian Health Insurance Agency (EHIA) promotes social health insurance. The institution administers two contributory health insurance schemes. Firstly, Social Health Insurance (SHI) is for public service employees, government development enterprises, private organisations, non-profit

organisations, and pensioners. SHI entered operational hurdles, and the population with some health insurance was just 28% in 2019, signalling that many are not helped to protect households against sickness-related financial risks. Second, the Community-Based Health Insurance (CBHI) scheme focuses on small-scale, informal sector workers and the public. CBHI has progressed, covering about 70% of the country's *woredas* (i.e., districts of Ethiopia), with more than 22 million members in both rural and urban areas.

The EHIA promotes the Health Insurance Strategic Plan (HISP), focusing on providing Universal Health Coverage (UHC) for all by 2030. Over 2020–2025, the HISP aims to reach 80% of the population in the informal sector and 100% of public servants in the formal sector (via SHI) with health insurance coverage.

APPENDIX: ADDITIONAL DATA

Table 3: Ethiopia's key economic data, projections, 2019-2025

Values	2019	2020	2021	2022	2023	2024	2025
GDP (current, US\$)	10.3bn	10.2bn	11.1bn	13.3bn	13.9bn	13.8bn	14.3bn
GDP per capita (PPP, US\$)	2,272	2,145	2,325	2,460	2,563	2,671	2,796
Total investment (% of GDP)	23%	25%	26%	24%	24%	29%	30%
Gross national savings (% of GDP)	12%	13%	15%	15%	12%	18%	20%
General government expenditure (% of GDP)	28%	33%	32%	30%	28%	30%	28%
Government gross debt (% of GDP)	50%	66%	67%	61%	63%	72%	74%

Source: International Monetary Fund, World Economic Outlook Database, October 2023.

Table 4: Ethiopia's Climate Governance

Climate Governance
Key Laws and Regulations
Definition of Powers and Duties of the Executive Organs of the Federal Democratic Republic of Ethiopia (Proclamation No. 1097/2018).
Forest Development, Conservation and Utilisation (Proclamation No. 1065/2018).
Geothermal Resources Development (Proclamation No. 981/2016).
Energy (Proclamation No. 810/2012).
Key Plans and Strategies
Climate-resilient Green Economy Strategy (2011)
Second Growth and Transformation Plan (GTP-II) (2015-2020)
Perspective Development Plan (2021-2030)
National Forest Sector Development Programme (2018-2028)
Long-Term Low-Emissions Development Strategy 2020-2050 (LT-LEDS).
Key Institutions
Environment, Forest, and Climate Change Commission (EFCCC).
Ministry of Finance (MoF).
Climate-Resilient Green Economy Facility (CRGE).

Source: Climate Action Tracker: Ethiopia, February 2024.

Table 5: Ethiopia's Ratified ILO Conventions

Subject and/or right	Convention	Ratification date
Fundamental Conventions		
Freedom of association and collective bargaining	C087 - Freedom of Association and Protection of the Right to Organise, 1948 C098 - Right to Organise and Collective Bargaining Convention, 1949	1963 1963
Elimination of all forms of forced labour	C029 - Forced Labour Convention, 1930 C105 - Abolition of Forced Labour Convention, 1957	2003 1999
Effective abolition of child labour	C138 - Minimum Age Convention, 1973 C182 - Worst Forms of Child Labour Convention, 1999	1999 2003
Elimination of discrimination in employment	C100 - Equal Remuneration Convention, 1951 C111 - Discrimination (Employment and Occupation) Convention, 1958	1999 1966
Occupational safety and health	C155 - Occupational Safety and Health Convention, 1981 C187 - Promotional Framework for Occupational Safety and Health Convention, 2006	1991 Not ratified
Governance Conventions		
Labour inspection	C081 - Labour Inspection Convention, 1947 C129 - Labour Inspection (Agriculture) Convention, 1969	Not ratified Not ratified
Employment policy	C122 - Employment Policy Convention, 1964	Not ratified
Tripartism	C144 - Tripartite Consultation (International Labour Standards) Convention, 1976	2011
Technical Conventions (Up-to-date)		
Working time	C014 - Weekly Rest (Industry) Convention, 1921 C106 - Weekly Rest (Commerce and Offices) Convention, 1957	1991 1991
Equality of opportunity and treatment	C156 - Workers with Family Responsibilities Convention, 1981	1991
Employment policy and promotion	C159 - Vocational Rehabilitation and Employment (Disabled Persons) Convention, 1983 C181 - Private Employment Agencies Convention, 1997	1991 1999
Seafarers	MLC, 2006 - Maritime Labour Convention, 2006	2019

Note: Fundamental Conventions are the ten most important ILO conventions that cover four fundamental principles and rights at work. Governance Conventions are four conventions that the ILO has designated as important to building national institutions and capacities that serve to promote employment. There are also 73 Technical Conventions, which ILO considers "up-to-date" and actively promoted.

Source: ILO, NORMLEX, Country Profiles, Ethiopia.

Table 6: Central legal reservations concerning the rights to organise, collective bargaining, and strikes in Ethiopia

Right to organize
<ul style="list-style-type: none"> • Power to refuse official registration on arbitrary, unjustified, or ambiguous grounds. • Excessive representativity or the minimum number of members required for the establishment of a union. • Restrictions on workers' right to join the trade union of their choosing imposed by law (i.e. obligation to join a trade union of a certain level e.g. enterprise, industry and/or sector, regional and /or territorial national). • Administrative authorities' power to unilaterally dissolve, suspend or de-register trade union organisations. • Workers in the public sector, including judges, prosecutors do not have the right to freedom of association.
Right to collective bargaining
<ul style="list-style-type: none"> • Exclusion of certain matters from the scope of bargaining (e.g. wages, hours). • It is unclear whether and to what extent public servants, including teachers in public schools, have the right to collective bargaining.
Right to strike
<ul style="list-style-type: none"> • Obligation to observe an excessive quorum or to obtain an excessive majority in a ballot to call a strike. • Excessively long prior notice / cooling-off period. • Discretionary determination or excessively long list of "essential services" in which the right to strike is prohibited or severely restricted.

Source: International Trade Union Confederation, Survey of Violations of Trade Union Rights, Ethiopia: Legal, February 2024.

Table 7: Labour market efficiency in Ethiopia, 2019

Indicator	Rank
Total	124
Redundancy costs (weeks of salary) **	89
Hiring and firing practices *	105
Cooperation in labour-employer relations *	137
Flexibility of wage determination *	136
Active labour market policies *	92
Workers' rights *	81
Ease of hiring foreign labour *	122
Internal labour mobility *	130
Reliance on professional management *	133
Pay and productivity *	106
Ratio of wage and salaried female workers to male workers **	90
Labour tax rate **	43

* Survey data. ** Ranked by per cent.

Note: Rank from 1 to 141 (1 is highest).

Source: The Global Competitiveness Report, 2019, 8th pillar: Labour market efficiency.

Table 8: Ease of Doing Business in Ehtiopia, 2020

Topics	Ranking
Overall	159
Starting a Business	168
Dealing with Construction Permits	142
Getting Electricity	137
Registering Property	142
Getting Credit	176
Protecting Minority Investors	189
Paying Taxes	132
Trading Across Borders	156
Enforcing Contracts	67
Resolving Insolvency	149

Note: Doing Business 2020 indicators are ranking from 1 (top) to 190 (bottom) among other countries. The rankings tell much about the business environment, but do not measure all aspects of the business surroundings that matter to firms and investors that affect the competitiveness of the economy. Still, a high ranking does mean that the government has created a regulatory environment conducive to operating a business.

Source: World Bank & IFC, Ease of Doing Business 2020 in Ethiopia.

Table 9: Ethiopia's most relevant policies for the informal economy

Laws
Growth and Transformation Plan committing to enhance the productivity and technological uptake of MSMEs and to support their transformation.
Industrial Development Strategic Plan (2013-2025) aiming to increase the share of the industry sector as a share of GDP from the current (2013) 13% to 27% by 2025.
Technical and Vocational Education Training (TVET) Sector Growth and Transformation Plan (2015-2020/5) focusing on making TVET institutions centres of technology transfer and providing industrial extension support to MSEs.
Micro and Small Enterprise (MSE) Development Strategy making MSMEs competitive in the market and building cluster-based production in urban centres as focal points for creation of entrepreneurs.
National Entrepreneurship Strategy (NES) targets to optimizing the regulatory framework and enhancing entrepreneurship education and skills development.
Petty Periphery Cross-Border Trade (1995) allowing border communities to import limited amounts of basic commodities from markets across the borders without having to travel long distances to buy them in domestic markets.

Source: The Common Market for Eastern and Southern Africa, Review National Policy Developments in the Targeted Countries related to the Formalisation of the Informal Economy, 2022.

Table 10: Ethiopia's monthly minimum wages, February 2024

Public sector	ETB	US\$
Guard and Labourers		
Rank I - Level 1	420	7.5
Rank V - Level 5	694	12
Custodials		
Rank II - Level 1	470	8.4
Rank XI - Level 10	1,719	31
Clerks		
Rank II - Level 1	470	8.4
Rank XIII - Level 12	2,249	40
Middle level professionals		
Rank III - Level 1	525	9.4
Rank XIV - Level 12	2,570	46
Administrative assistant		
Rank VIII - Level 1	1 114	20
Rank XVI - Level 9	3,348	60
Professionals		
Rank X - Level 1	1 499	27
Rank XVIII - Level 9	4,343	78

Source: WageIndicator.org, Minimum Wage – Ethiopia, February 2024.

Table 11: Ethiopia's key workforce data, 2021

Indicator	Value
Working Age Population	98,038,146 *
Economically active	65%
Outside labour force	35%
Employed population	41,637,071
<i>Urban share</i>	20%
<i>Rural share</i>	80%
Employed by aggregated sector share	
<i>Agriculture</i>	66%
<i>Industry</i>	6%
<i>Wholesale & Retail trade</i>	6%
<i>Other service</i>	22%

* Excluding Tigray region.

Source: Ethiopia 2021 Labour Force and Migration Survey.

Table 12: Ethiopia - Scores for Women, Business and the Law 2022

Mobility	Workplace	Pay	Marriage	Parenthood	Entrepreneurship	Assets	Pension	Index score
100	100	25	80	60	75	100	75	77

Note: Overall scores are calculated by taking the average of each indicator, with 100 representing the highest possible score.

Source: The World Bank, Ethiopia: Women, Business and the Law 2023.

Table 13: Ethiopia's most relevant laws and policies for the TVET system

Laws/policies
Ethiopian Education Development Roadmap (2020-2030).
Proclamation 1097/2018 redefines the organization, powers, and duties of the executive organs of the Federal Democratic Republic of Ethiopia.
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Source: United Nations Educational, Scientific and Cultural Organization: TVET Country Profiles: Ethiopia, February 2024; African Skills Portal for Youth Employment and Entrepreneurship (ASPYEE), TVET Country Profile: Ethiopia.

Table 14: List of Ethiopia's social protection legal and policy framework

Laws
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Proclamation No. 715/2011, expanding the social security scheme to include workers of private organizations.
Regulation No. 191/2010 to establish the Ethiopian Health Insurance Agency (EHIA)
Proclamation No. 690/2010 laid the foundation for the establishment of a social health insurance system.
Public Servants' Pension Proclamation No. 345/2003.
Formal public contributory social security dates to 1963, when a scheme was established to provide social insurance for public sector workers.

Source: International Labour Organization.

Table 15: Proportion of population covered by social protection systems and health in Ethiopia, 2020

Indicator	Coverage
Population covered by at least one social protection benefit	7.4%
Persons above retirement age receiving a pension	3.9%
Persons with severe disabilities collecting disability social protection benefits	1.3%
Unemployed receiving unemployment benefits	0%
Mothers with newborns receiving maternity benefits	-
Employed covered in the event of work injury	7.8%
Children/households receiving child/family cash benefits	4.5%
Poor persons covered by social protection systems	-
Vulnerable persons covered by social assistance	3.2%
SGD 3.8.1: Universal health coverage, % of population	35%

Source: International Labour Organisation, Key Indicators of the Labour Market (KILM); World Health Organization, Coverage of essential health services (SDG 3.8.1) (%).

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