

Labour Market Profile 2020



Ethiopia

Danish Trade Union
Development Agency

Mondiaal FNV

Mondiaal FNV



ULANDSSEKRETARIATET – DTDA
DANISH TRADE UNION DEVELOPMENT AGENCY

PREFACE

Since 2017, Mondiaal FNV and the Danish Trade Union Development Agency (DTDA) have worked together to ensure coordination and exchange of experience and information between their offices e.g. on social dialogue and labour relations. This collaboration includes harmonisation of planning and coordination of technical assistance, as well as support and development of joint Theories of Change (ToCs).

One aspect is to benefit from joint tools and programme processes, e.g. monitoring practice and designing new project interventions. It includes an application of Labour Market Profiles (LMPs), which are based on a context analysis of the labour market in partner countries or potential partner countries. In practice, Mondiaal FNV and DTDA agreed to produce LMPs on several potential countries, which includes the Ethiopia Labour Market Profile.

Labour Market Profiles (LMPs) provide a comprehensive overview of the labour market situation in the DTDA's individual countries of engagement. LMPs aim at portraying a snapshot of the structures, developments and challenges in the labour market. Structurally, LMPs are divided into 11 thematic sections describing trade unions, employers' organisations, government, tripartite fora and institutions, national labour legislation, violations of trade union rights, wages and working conditions, workforce status, education, social protection, and economic performance.

LMPs report on several key indicators within the framework of the Decent Work Agenda (DWA) and the Sustainable Development Goals (SDGs). They especially address particular aspects of labour market development such as the evolution of trade union membership, social dialogue and bi-/tripartite mechanisms, policy development and legal reforms, and the status of ILO conventions and labour standards, among others.

The main sources of data and information for LMPs in general are:

- Specific types of data and information relating to key indicators are collected by data collection

tools. The gathering and validation of central data and information for the development of the LMP was made through a national consultancy process in Ethiopia. It consists of both primary/secondary data/information and interviews of stakeholders.

- National statistical institutions and international databanks are used as sources for the collection of general data and information. Other critical sources used are: ILOSTAT and NATLEX, World Bank Open Data, ITUC Survey of violations of Trade Union Rights, the U.S. Department of State and other labour-related global indexes.
- Academic and media sources (e.g. LabourStart, national news, etc.) are used in the general research on labour market issues.

The DTDA's Analytical Unit prepared this Labour Market Profile through research in Copenhagen in close collaboration with Mondiaal FNV. Specific data was gathered by a local consultant in Ethiopia, Mr. Ibrahim Worqu, who conducted research and interviewed key stakeholders according to the Template for Collection of Data and Information for Development of Labour Market Profile.

The picture on the front cover is of Hagere Selam, Ethiopia, which is on the way to the gold district in Shakiso. It was photographed by Mr. Kent Jensen, Programme Consultant from DTDA.

If you have comments or questions to the profile, you may contact Mr. Kasper Andersen (kan@dtdda.dk) from the DTDA's Analytical Unit.

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EXECUTIVE SUMMARY

Ethiopia is one of the fastest-growing economies in Africa that is driven by investments in development programmes. Low-cost wages have attracted an inflow of foreign direct investment, thus boosting special economic zones and industrial parks. Since 2018, a wave of economic reforms has been reshaping the heavily-regulated economy by attempting to expand the role of the private sector. Even though economic growth has produced an evolving middle-class among workers, one out of two (52%) are projected to be among the working poor, defined as living below US\$3.1 per day in 2020.

The labour market landscape is also changing. The fast-growing workforce puts pressure on job creation. Urbanisation, though low, is on an upsurge. Employment structures have experienced some shifts. For example, the share of employees is projected to rise to 14% in 2020, mainly in the industrial sector. Labour productivity is slowly catching up with the Eastern African average. In urban areas, employment in the informal economy has fallen from 51% in 1999 to 26% in 2013. However, a majority of workers (70%) are in subsistence agriculture, and around 86% of total employment is characterised as 'vulnerable employed' (i.e. less likely to have formal work arrangements).

Social dialogue has made some progress in tripartite structures in terms of decision-making processes at the national level. It has contributed to the new Labour Proclamation from July 2019 that introduced several changes to promote the investment environment, create more jobs, and maximise productivity. An important next step is to adopt a minimum wage for the private sector. Currently, Ethiopian factory workers are among the lowest paid in any major garment-producing company worldwide. Collective Bargaining Agreements (CBAs) are applied, but not much of the workforce is covered. Several reasons are that the majority of firms are micro- or small-enterprises and informal economy is widespread. This situation stymie the implementation of the labour and business regulations by the government. In the bipartite social dialogue within enterprises, labour-employer relations remain fragile and mandatory workplace policies are rarely in place to secure occupational safety and health standards.

A wave of labour unrest has surged since 2017, mainly due to the deflated purchasing power of workers' income caused by rising inflation in consumer prices. At

the same time, unionism is evolving. In the aftermath of power struggle, the two employers' organisations agreed in 2018 to create a new confederation that now represents employers in national tripartite structures. The trade union movement is budding: the membership rate grew by 40% from 2011 to 2018, and the trade union density of employees increased from 5.4% to 7.5% during the same period. These figures are conservative because the teachers' association, which comprises approximately 500,000 organised workers, is excluded from estimates because it is not recognised by the government as a trade union.

Unemployment is mainly a problem for urban youth, especially women. It is shadowing the fact that labour underutilisation affects one out of four (26%). Even though Ethiopia has made strides in school enrolment at all levels, one out of two employed (52%) still has less than a basic education. In the transition from school-to-work, most end up in informal activities, and many even drop out of the labour market. It is also reflected in the high child labour rate of 43%, which exists mainly in rural areas dominated by an agricultural working culture and weak infrastructure. Vocational training is not prioritised, and only 6.1% of the employed have received training. The country has a political commitment to encourage gender equality and women's rights. Gender inequality remains rampant, though, as illustrated by wide gender gaps in wages and in underutilisation rates. These circumstances are related to patriarchal traditions in Ethiopian society.

Migration flows are moving in several directions in Ethiopia: rural-urban, internal displacement, out-migration, and refugee inflow. Internally Displaced People (IDP) put particular pressure on labour legislation. A high number of refugees puts further burden on the need to create jobs. Personal remittances are not an essential part of the economy, but financial sector reforms in 2019 could boost inflows of investments and personal remittances.

Progress in formal employment has led to rising coverage in formal private and public social insurance schemes. Nevertheless, widespread informality, a weak wage system and a slender CBA system, constrain the expansion of such programmes. It is reflected in the fact that just 12% of the population is covered by at least one social protection and 15% of those above retirement age receive a pension.

The table below is based on key indicators that follow the Decent Work Agenda. The selected key indicators are concentrated on areas where the trade union movement has a central role in the labour market.

On page v, the second table presents an overview of the current value of Sustainability Development Goals indicators and targets for labour market issues.

Status of key labour market indicators in the framework of the Decent Work Agenda (DWA) in Ethiopia

Creating decent jobs	
Policy reforms addressing creation of decent employment	Yes, but only regarding Minimum Wages.
ILO standard setting on improvement of status of workers from the informal economy	No national tripartite forum on informal economy or other national forum addressing informal economy. No policy addressing informal economy.
Guaranteeing rights at work	
Growth in trade union members from year 2011 to 2018 (%)	40 %
Violations of trade union rights	Ranking 4 out of 5 (5+ is the worst) *
Labour legislation is improved according to ILO standards	Experts argue that previous Labour Law (377/2003) and its amendments were highly responsive to the ILO standards. These standards are maintained in the new Labour Law (1156/2019). The new bill is more addressing the long-term inquiry of employers and investors' concerns than workers'.
Trade unions with minimum 30% women representation in decision-making bodies	No. In Confederation of Ethiopian Trade Unions' (CETU) decision-making body only one out of ten executive positions is reserved for women. CETU has a Women's Affairs Department that aims to follow up on the implementation of the organisation's gender policy.
Extending social protection	
Health social protection coverage as % of total population in partner countries	5 % **
Workers from the informal economy have access to national social security schemes	No.
Promoting social dialogue	
Trade union density of total employment (%)	1.0 %
Trade union density of employees (%)	7.5 %
Cooperation in labour-employer relations	Ranking 137 out of 141 (1 is best) ***
Number of Collective Bargaining Agreements (CBAs)	From 9 federations, 507 trade unions out of 674 trade union (75%) had CBAs in 2011.
Workers' coverage of Collective Bargaining Agreements to employees	N/a
* This is interpreted as systematic violations of rights. Countries with a rating of 4 are interpreted as the government, and/or companies are engaged in serious efforts to crush the collective voice of workers putting fundamental rights under threat (Source: ITUC, Global Rights Index).	
** ILO, World Social Protection Report 2017–19	
*** This indicator is based on data from the Global Competitiveness Index that represents employers' opinion from surveys (Source: World Economic Forum). Source: ILO; DTDA Analytical Unit data collection and own calculations.	

Status of key Sustainable Development Goals in labour market-related issues in Ethiopia

Indicators	Value	Year	SDG Targets
1.1.1: Working poverty rate (percentage of employed living below US\$1.90 Purchasing Power Parity)	20 %	2019	By 2030, eradicate extreme poverty for all people everywhere, currently measured as people living on less than US\$1.90 per day.
1.3.1 Proportion of population covered by social protection floors/systems	12 % *	2016	Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable.
5.5.2: Female share of employment in managerial positions (total management)	27 %	2013	Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.
8.2.1: Annual growth rate of real GDP per employed person	3.6 %	2019	Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors.
8.3.1: Proportion of informal employment in non-agriculture employment	26 % **	2013	Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of micro-, small- and medium-sized enterprises, including through access to financial services.
8.3.1: Men	18 % **	2013	
8.3.1: Women	37 % **	2013	
8.5.1: Average hourly earnings of women and men employees	-	-	By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.
8.5.2: Unemployment rate (Total)	2.3 %	2013	
8.5.2: Unemployment rate (Total, 15-24 years)	3.5 %	2013	
8.5.2: Men, 15+	1.7 %	2013	
8.5.2: Men, 15-24 years	2.7 %	2013	
8.5.2: Women, 15+	2.9 %	2013	
8.5.2: Women, 15-24 years	4.5 %	2013	
8.6.1: Proportion of youth (15-24 years) not in education, employment or training (NEET)	11 %	2013	By 2020, substantially reduce the proportion of youth not in employment, education or training.
8.6.1: Men	5.7 %	2013	
8.6.1: Women	15 %	2013	
8.7.1: Proportion and number of children aged 5-14 years engaged in child labour (Total)	49 %	2011	Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms.
8.7.1: Girls	51 %	2011	
8.7.1: Boys	47 %	2011	
8.8.1: Frequency rates of fatal and non-fatal occupational injuries	-	-	Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.
8.8.2: Level of national compliance with labour rights (freedom of association and collective bargaining)	-	-	
9.2.2: Manufacturing employment as a proportion of total employment	5.1 %	2013	Promote inclusive and sustainable industrialisation and, by 2030, significantly raise industry's share of employment and gross domestic product, in line with national circumstances, and double its share in least developed countries.
10.4.1: Labour income share as a percent of GDP	-	-	Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality.

* Population covered by at least one social benefit (see also the section: Social Protection). ** Proportion of urban population working in the informal economy (NLFS 2013).

Source: [United Nations, Sustainable Development Goals, Knowledge Platform](#) and [ILO, Key Indicators of the Labour Market \(KILM\)](#)

COUNTRY MAP



Source: [CIA, The World Factbook](#)

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TRADE UNION

The trade union movement in Ethiopia developed from a cooperative structure in the form of social organisations and local self-help societies. These traditional groups created the first craft-unions. It was not until 1963 that the Labour Proclamation recognised the Confederation of Ethiopian Trade Unions (CETU). Today, three kinds of unions – craft, cross-section, and industry unions – operate under CETU.

Unionism is on the rise due to shifts in the economy. The number of trade unions has increased rapidly from 702 in 2011 to 1,714 in 2018, amounting to a growth of 144%. At the same time, the membership rate grew by 40% in the same period, reaching 517,353 workers in 2018. The trade union density of employees (also known as the ratio of trade union members) increased from 5.4% in 2011 to 7.5% in 2018. This significant increase is caused by the recently expanding employment rate in the industrial sector, especially in manufacturing. From a broader perspective, the trade union density of total employment grew from 0.9% to 1.0% in the same period. This meagre increase of 0.1 percentage points is related to the fact that the trade union membership rate does not supersede total employment growth (see Table 1 for more details).

Table 1: Status of trade unions in Ethiopia, 2018

Number of trade unions	1,714
Number of federations	9
Members of trade unions (CETU)	517,353
Growth in membership, 2011-2018	40 %
Women share of total membership	36 %
Trade union density (total employment)	1.0 %
Trade union density (employees)	7.5 %
Members of affiliated trade unions from the informal economy	N/A *

* See more in the sub-section: Informal Economy.

Source: CETU and its own calculations on trade union membership growth and density based on employment data from ILOSTAT.

Another reason for the relatively low trade union density of total employment is that labour legislation has some flaws regarding international standards to protect workers' rights. For example, teachers, civil servants, managerial staff, domestic and health workers, and part-time/seasonal agricultural workers may not form or join trade unions. Teachers may only join 'associations' and do not have the right to bargain collectively, or to negotiate wages and conditions of

employment. At the same time, the agricultural sector dominates the workforce – most often through unpaid jobs or the self-employed and trade unions focus on members from the formal sector. On the positive side, industrial unions have made some efforts to enforce labour regulations in recent years.¹

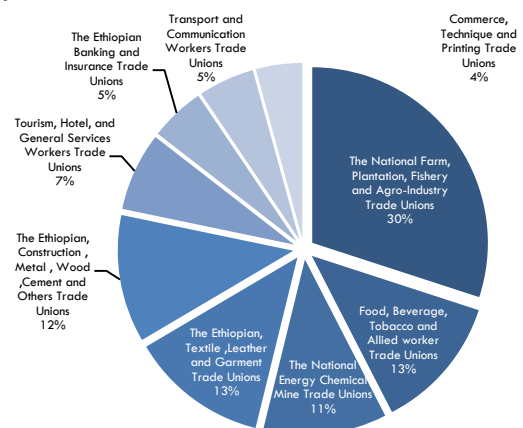
A large majority (75%) of registered enterprises are micro-enterprises. Since legislation mandates a minimum of 10 workers to form a union, many workers are kept from organising. Informality dominates this segment which most often does not apply labour regulations due to a lack of awareness or incentives. Some private enterprise employers are reluctant to allow their workers to organise themselves into trade unions. These circumstances have stymied the organisation of trade union members.

The status of the two central institutions of organised workers are summarised below.

Confederation of Ethiopian Trade Unions (CETU)

CETU was established in 1963 as a result of the Labour Proclamation. It is Ethiopia's largest multi-ethnic civil society organisation. Currently, the confederation has nine federations (see also Appendix Table 20). The primary federations are the National Farm, Plantation, Fishery and Agro-Industry Trade Unions with a share of 30% (155,000 members) of CETU's total membership, followed by the Textile, Leather and Garment Trade Unions comprising 13% (almost 66,000 members). See more in Figure 1 below.

Figure 1: Membership share of trade union federations in Ethiopia, 2018



Source: DTDA, LMP Data Collection Template, Ethiopia

CETU has eight branches: Hawassa, Jimma, Bahirdar, Dirdawa, Mekelle, Adama, Konbolcha, and Finifine Cities. The branches are located in areas where there is a high concentration of workers and industry. The

organisation is affiliated with the International Trade Union Confederation (ITUC) and the World Federation of Trade Unions. It is also a member of the African Organization of African Trade Union Unity (OATUU) and the Confederation of the Horn of Africa for Trade Unions. CETU plays an important role in these global trade union secretariats.

CETU functions with an executive board. The confederation holds free elections every five years to elect its president and executive committee. The latest Congress of CETU convened in October 2019. A self-financing mechanism has been developed to fund most of its activities.

In CETU's decision-making body only one out of ten executive positions are reserved for woman. The organisation has a Women's Affairs Department that aims to implement the organisation's gender policy. Gender issues are also taken into account during collective bargaining (see Gender section).

The confederation has played a key role in upholding workers' rights and ensuring job safety, in harmonising the industrial relationship, and in supporting workers to form associations. In recent years, CETU played a role in influencing reforms incorporated in the new Labour Proclamation (No. 1156/2019). The confederations supported the preparation of the new bill. Moreover, CETU lobbying resulted in a minimum taxable wage increase, and a tax rate cut (for further information, see sections: National Labour Legislation and Working Conditions).

The government has been accused of interfering in CETU's affairs. However, in the aftermath of political reforms after April 2018, Ethiopia is moving towards stronger independence among trade unions and association organisations.

CETU is struggling with multifaceted and emerging challenges. For example, manufacturers – both local and foreign-owned – 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 serious external challenges to the trade union movement.

At the end of 2018, the rapprochements between Eritrea and Ethiopia opened the door for additional political dialogue in the sub-region to discuss economic and social challenges. For instance, an official founding

Congress of the Horn of Africa Confederation of Trade Unions (HACTU) was held in October 2018 in Addis Ababa with eight member countries.²

Ethiopian Teachers Association (ETA)

Teachers and education workers are organised in the Ethiopian Teachers Association (ETA). ETA was established in 1949. It was not until 1965, however, that the organisation was recognised nation-wide. In 1969, the ETA was officially registered by the Ministry of Inland Affairs.

Currently, ETA is an umbrella organization which represents the largest professional associations in the country. It consists of 12 associations which represent teachers recruited from the pre-primary to university levels as well as other education personnel. The organisation has approximately 508,000 members (February 2019) according to data from ETA.³ Women comprise 33% of members (excluding Universities) (see also Appendix Table 20). ETA members pay membership fees of four Ethiopian birr (US\$0.14) per month which is deducted from their monthly salaries. ETA is a member of Education International (EI).

The main purpose of ETA is to defend teachers' rights and to improve access to a quality education for every citizen.

Because teachers are not allowed to join or form unions, ETA has never been registered as a trade union, but instead as an association. The organisation aims to restructure itself as a trade union. In 2016, the association signed a bipartite Memorandum of Understanding (MoU) with CETU. The MoU is an agreement expressing solidarity and providing mutual support.

EMPLOYERS' ORGANISATIONS

The Ethiopian Employers' Federation (EEF) was created in 1953, but it was not until 1963 that it was formally recognised as an employers' organisation within the framework of the Labour Proclamation. EEF is the only organisation to represent employers and their associations at the national level. However, as a result of a long-standing power struggle between leaders, a competing organisation, the Ethiopian Employers' Confederation (EEC) was created in 2001. A license application by EEF to form a separate confederation was rejected by the Ministry of Labour and Social Affairs (MoLSA) based upon a deficient application. The two federations subsequently entered into dialogue

with support from the MoLSA to avoid further divisive moves. It resulted in a recommendation that a single confederation be formed to support employers' concerns and to strengthen their bargaining power. It did not result in a merge between the two organisations but rather they resolved their dispute and agreed to work together. In addition, the two federations succeeded to foster the Ethiopian Industry Employers' Confederation (EIEC). This new confederation has operated since August 2018. Because EIEC emerged from the existing federations, it was recognised in the social dialogue process, especially at the national level.

Before the fusion, EEF focused on building strong relations among employers and supported training, social responsibility, and industrial peace. It was open to all types of employers, including businesses, Civil Society Organisations (CSOs), Non-Governmental Organisations (NGOs), Professional Associations and Employers' Associations. It covers both members from private companies and from public enterprises. At that time, membership consisted of 1,250 enterprises, 17 employers' associations, and 9 federations and there were 12 regional branches. Since the merger, EEF now operates with four employers' federations and about 600 enterprises. In terms of branches, the federation has five branches in the cities of Afar, Hawassa, Deber-Berhan, and Neqemen. EIEC has nine federations.

Both EIEC and EEF are involved in bipartite activities. But only EIEC is currently mandated in the tripartite structure on the national level. Since the organisational fusion, EIEC and EEF appear highly mingled, e.g. some advisors are involved in some of the daily operations of both organisations. The International Organization of Employers (IOE) has not registered the new EIEC. According to their website, EEF is still listed.⁴

EEF and EIEC represent the interests of employers in industrial relations, including maintaining peaceful industrial relationships. The organisations contributed to the recently amended Labour Proclamation in July 2019 so that it reflects employer interests.

Research reveals that EEF and EIEC lack adequate staff, particularly at branch offices, as well as insufficient financial and material resources to run the organisation efficiently. Strikes and lockouts challenge the organisation's capacity.⁵

The employers' organisation membership rate is low. According to the Private Organizations Employees' Security Agency (POESSA) data-set from September

2018, 51,600 firms are registered, and the number of firms which are members of an employers' confederation was 1,250. This suggests that 2.4% of firms are members of the employers' organisation. Similarly, estimations from the International Labour Organization (ILO) illustrate that approximately 1% of total employment in Ethiopia comprises employers in 2020 (see Figure 3).

The Global Competitiveness Index provides perspective on a wide range of factors, including labour market efficiency. Such efficiency indicators are compiled through surveys among employers in country and through other statistical data. Ethiopia is ranked low, at 124 out of 141 countries (1 is the best) in 2019. Among the 12 labour market efficiency indicators, the best scorings are in the labour tax rate (43) and in workers' rights (81). The worst rankings are in cooperation in labour-employer relation (137), the flexibility of wage determination (136), and reliance on professional management (133). See more details in Table 2 below.

Table 2: Employers' view of the 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 policies	92
Worker's 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

* Rank from 1 to 141 (1 is best ranking).

Source: [The Global Competitiveness report 2019- Pillar 8](#)

GOVERNMENT

The Ministry of Labour and Social Affairs (MoLSA) has the responsibility to inspect labour administration, particularly labour conditions, Occupational Safety and Health (OSH), work environment, industrial relations, employment services, and to support financial and human resources as well as participate in the tripartite Labour Advisory Board. The new Labour Proclamation (1156/2019) revised these responsibilities to strengthen and define the powers and duties of the government organ charged with the responsibility. In addition, the Jobs Creation Commission was established

in 2018, which determines the powers and duties of the executive organs. The regulation mandated the commission with the authority to lead the job creation agenda, coordinate stakeholders, monitor and evaluate performance.

Representatives of the government in tripartite forums have the power to execute the decision reached in consensus on a particular case, because they represent the relevant ministries. There is not always consensus, however. In addition, the government is not effectively enforcing applicable labour market regulations because public institutions have insufficient staff and funding.⁶

At the regional level, labour administration is undertaken by the Bureaus of Labour and Social Affairs (BoLSAs) and by the two City Administrations in Addis Ababa and Dere Dawa. These institutions are responsible for labour inspection within each region or city, a task that is often relegated to Zonal and District offices (see also the section: Working Conditions).

The Central Statistical Agency delivers important national labour force surveys which provide the latest data on the status and development of the workforce.

CENTRAL TRIPARTITE STRUCTURES

Tripartite is a collaboration based on a dialogue between recognised, organised employers/businesses and trade unions along with state institutions within the labour market. Each institution acts as a social partner to create a policy or make a decision through cooperation, consultation, negotiation, and compromise. Ideally, the organisations work as equal social partners in both bi- and tripartite settings. The main functioning tripartite institutions are summarised below.

Tripartite Labour Advisory Board (TLAB)

The TLAB framework was mandated in the Labour Proclamation. The institution promotes tripartite consultations concerning the investigation of work conditions, the health and safety of workers, and labour legislation. It also provides advisory opinions to MoLSA. The Board is composed of 15 members: five representing workers, five representing employers, and five representatives from the various ministries. Members are supposed to meet every two months.

The Labour Advisory Board has become an essential factor in the political decision-making process. Among other accomplishments, the Board served as a forum to

discuss amendments of the Labour Proclamation in recent years and paved the way for introducing a minimum wage system in the country.⁷

By law, the Board is required to form various committees to address labour issues, such as labour inspection and industrial relations. Yet this has not been fully achieved due to insufficient staff and resources at its secretariat. However, the National Investment and Job Creation Steering Committee was launched in August, 2019. It aims to draw foreign direct investment and create three million jobs. At the regional level, the committees on labour inspection face challenges such as a limited data system, no complaint forms or initial review process, few if any internal reviews, irregular tripartism and low compliance verification.⁸

Minimum Wage Advisory Board

The legislation does not mandate minimum wages. Usually, wages are fixed by either the employer, negotiated by collective agreement, or by an employee's contract.⁹ The absence of a minimum wage floor for workers has particularly affected workers from private enterprises who often have the lowest salary, and the salary scale lacks uniformity at the company level (see more in the section: Working Conditions). As previously mentioned, the recently approved Labour Proclamation (No. 1156/2019) opened a path to establish a minimum wage board and a process to set and develop minimum wages

Dispute settlement and Industrial Court

The Labour Proclamation recognises different types of dispute settlement mechanisms, such as conciliation and lawsuits. It recognises the right to strike and lock-out. Conciliation is a mediation process between parties to find an amicable settlement in a labour dispute. When conciliation forum members fail to reach a consensus, the parties are allowed to take the case to court.

The Labour Conciliation Office (LCO) at the MoLSA facilitates the amicable settlement of labour disputes based on the voluntary submission of the parties to mediation. 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. Both high urban unemployment, fear of retribution, and long delays in hearing labour cases deter workers from participating in strikes or other labour actions. Lawsuits alleging unlawful dismissal often take years to resolve because of court case backlog.

The Labour Proclamation mandates the establishment of labour division courts, appellate courts, conciliators and labour relation boards. The legislation allows for the establishment of one or more labour relations permanent boards and ad-hoc labour relations boards in regional states. Separate boards can also be established by MoLSA to deal with disputes at the company level. The boards also arbitrate for replacement, renewal, negotiation and the commencement of a collective agreement.

The economic liberalisation in progress in Ethiopia is moving towards a more flexible labour market. It has created worries of directly or indirectly eroding labour standards, including the rights to organise and to collective bargaining. In recent years, the judiciary, through its highest organ, the Federal Supreme Court Cassation Division, began to adopt a more investment-friendly interpretation of labour law provisions.¹⁰

Social dialogue

The concept 'social dialogue' covers several factors such as industrial relations, freedom of association, the right to organise, collective bargaining, consultation, the examination of grievances and the settlement of industrial disputes.

Labour legislation in Ethiopia recognises the right to collective bargaining. It has restrictions, though. For example, amending or replacing a CBA must take place within three months of its expiration, and if not, then the prior provisions terminate. Enterprise unions are restricted to negotiating wages only at the plant level. In addition, civil servants, including public school teachers, have the right to establish and join professional associations created by employees, but they may not bargain collectively. Arbitration procedures in the public sector are more restrictive than in the private sector.

Irregular tripartite engagement and limits in scope challenge the social dialogue system in Ethiopia. Central issues are that both employers and workers have low awareness of labour and business regulations due to a weak linkage between the labour market and the education system. At the same time, labour inspectors have a low coverage at the enterprise level due to insufficient resources and to challenges posed by the overwhelming informality of the labour market.¹¹

The social dialogue environment in Ethiopia was expressed in a wave of labour unrest beginning in

2017. No less than a dozen strike actions have been recorded. There is a growing agitation among workers. In the last two years, high profile strike actions consistently erupt in industrial parks. Some of the main reasons are ongoing low wages and the negative impact of a relatively high inflation rate on consumer prices that curb real wage purchasing power (see more in Working Conditions and Economic Performance sections). In recent years, textile factory workers, bottling plant workers, garbage collectors and shoe factory workers have conducted wage-related strikes.¹² Strikers have demanded that employers enforce their health and safety policies, protect against sexual harassment, increase wages, and promote the right to form a union. 'Wildcat' strikes – strikes undertaken by unionised workers without union leadership's authorisation, support, or approval – occur more frequently. One reason is that unions have created more awareness of workers' rights. Before, strikes would seldom occur, and if they did, they would have been dealt with violently.

Based on limitations of data availability, nine federations registered 674 unions in 2011 out of which 507 had CBAs, equalling three out of four (75%). The number of CBAs varies from 53% to 96% among the federations. The three federations covering tourism, agricultural and construction sectors comprise 59% of CBAs (see Table 3 and Appendix Table 21). There are no official data available on CBAs coverage, though. It is likely to be low since the trade union density among employees was 5.4% in 2011. On the other hand, there are indications that the number of signed CBAs are growing fast in the wake of the rising trade union movement and employers' organisations combined with the changing structure of employment.

Table 3: Registered Collective Bargaining Agreements (CBAs) in nine Trade Union Federations in Ethiopia, 2011

Federation	Number of unions	Number of unions with CBA
The National Farm, Plantation, Fishery and Agro-Industry Trade Unions	161	86
Food, Beverage, Tobacco and Allied worker Trade Unions	58	43
The National Energy Chemical Mine Trade Unions	52	50
The Ethiopian, Textile ,Leather and Garment Trade Unions	54	48
The Ethiopian, Construction, Metal, Wood, Cement and others Trade Unions	84	75
Tourism, Hotel, and General Services Workers Trade Unions	183	137
The Ethiopian Banking and	7	6

Insurance Trade Unions		
Transport and Communication Workers Trade Unions	30	25
Commerce, Technique and Printing Trade Unions	45	37
Total	674	507

Source: CETU

At the beginning of the 2010s, some tripartite negotiations on occupational safety and health (OSH) standards were successful. However, they did not adequately address worker safety in many industries. Since a large segment of informal workers are explicitly excluded from organising by law, including domestic workers and seasonal agricultural workers, they are unable to benefit from occupational OSH regulations in the workplace. In 2019, the trade union movement initiated to prepare a common collective bargaining strategy. It supports a move away from the current negotiations in which they bargain with employers as individual unions at factory level towards a consolidate their demands, including those for living wages and better health and safety at work.¹³

NATIONAL LABOUR LEGISLATION

In recent years, few new labour market reforms were listed as approved by the Ethiopian parliament. In 2018, the new government established the Advisory Council. It examines laws, delivers recommendations for comprehensive revisions of legislation, and restructures institutions. This council has made some progress and held several public forums to register feedback from stakeholders on proposed legal changes. Among others, it supported the reform of the Labour Proclamation in 2019 (see below.)

A total of 164 national labour, social security and human rights-related legislations were recorded as of August 2019 (see more in Appendix Table 22). In addition, Appendix Table 23 provides an overview of the key bills that currently support the labour market in the country. The status of key labour legislation is summarised below.

Federal Constitution

The Federal Constitution of Ethiopia of 1995 contains a full chapter on fundamental rights and freedoms. It guarantees rights and freedoms, equality before the law, equal protection under the law, freedom of speech and expression, freedom of religion, belief and opinion, freedom of assembly and association, and the right to property, among others. The Constitution further deals with the rights of women, such as equality with men,

particularly in employment, promotion, pay and the transfer of pension entitlements. In addition, it grants the right to maternity leave with full pay, as well as prenatal leave with full payment. The constitution encompasses the rights of children, i.e. all children have the right not to be subject to exploitative practices, nor to be required or permitted to perform work which may be hazardous or harmful to his or her education, health or well-being.¹⁴

Even though these rights are enshrined in the Constitution, they have not been fully implemented in practice. First, a majority of the workforce operates in the informal economy with insufficient awareness of their rights or incentives to comply labour regulations, e.g. paying income taxes or registered with health insurance. Second, there are flaws in other legislation that jeopardise workers' rights, e.g. the Labour Proclamation prohibits government employees from utilising trade union rights even though they are constitutionally guaranteed fundamental rights.

Labour Proclamation

In July 2019, the House of Peoples' Representatives (HPR) approved the Labour Proclamation (No. 1156/2019) repealing the Labour Proclamation (No. 377/2003) together with its amendments. The new Proclamation addresses a shift in investment and in the business environment as well as the general labour market structure. It places emphasis on the need for a skilled workforce in order to support the ongoing industrialisation process and the strengthening global competitiveness. The new bill protects workers' rights and sets minimum working conditions. Key revisions are related to: i) additional employer obligations, ii) new rules on minimum wage, iii) increased minimum working age, iv) additional employee benefits, v) amendments to annual leave entitlements, vi) extended probation periods, vii) vicarious liability for employers, viii) employee liability, ix) new rules on sexual harassment and sexual violence, x) grounds for termination of contracts, xi) redundancy, and xii) administrative penalties. See more details of the changes in Appendix Table 24.

Despite the fact that labour legislation is responsive to international standards with improvements on worker's rights, the new Labour Proclamation is also giving weight to investors' demands. Others suggest that the new bill does not introduce a new conceptual framework to create a more private sector/investment-friendly legal system. For example, the law leaves little space for a worker and an employer to independently

agree with the terms of employment; rather it is expected that such terms are included in a collective agreement. Although the new law is applicable to all sectors, it ignores industry-specific labour demands. For example, Ethiopia is focusing on manufacturing and industrialization, but the labour law does not sufficiently reflect this.¹⁵

Federal Civil Servants Proclamation

The Federal Civil Servants Proclamation (No. 262/2002) was repealed in No. 515/2007, in No. 1064/2011, and later in No. 1064/2017. The proclamation regulates every aspect of the Civil Servants' employment relationship with the government including recruitment, salary scale, promotion, transfer, occupational safety and health, disability, pension and gratuity, grievance handling procedures and the establishment of a grievance handling committee, civil servants' administrative tribunal and its powers and procedures. As mentioned, the proclamation does not provide trade union rights for government employees as required by the Constitution. The Federal Civil Servants Proclamation still contains a loophole in which a long list of workers are not defined as Civil Servants.

Overseas Employment Proclamation

The Overseas Employment Proclamation (No. 923/2016) introduces significant changes to the control and management of the labour migration process. It includes an identification of three types of recruitment for an overseas job – through public employment organs and agencies and through direct employment. Currently, no deployment of overseas workers is allowed in the absence of a bilateral agreement with the recipient country. Deployment of workers under the age of 18, without an 8th grade education and without a certificate of occupational competence, is prohibited.

Observations on labour legislation

Based on primary labour legislation, not including the revised Labour Proclamation (No. 1156/2019), the International Trade Union Confederation (ITUC) registered flaws in legislative compliance with international standards on the right to organise, the right to collective bargaining, and the right to strike:¹⁶

- Excessive representation or a minimum number of members required for the establishment of a union.
- Restrictions on workers' right to join a trade union of their choosing imposed by law (i.e. obligation to join a trade union of a certain level – e.g. enterprise, industry, or sector; and regional and/or

territorial). For example, legislation specifically prohibits managerial employees, teachers, health-care workers, judges, prosecutors, security-service workers, domestic workers, and seasonal agricultural workers from organising unions.

- Restrictions on the right to elect representatives and to self-administer in full freedom.
- Administrative authorities' power to unilaterally dissolve, suspend or de-register trade union organisations.
- Workers defined as persons under an employment relationship, which implies that informal workers and volunteers, care and education workers are excluded from its application in the Labour Proclamation Act of 2003.
- Restrictions on the principle of free and voluntary bargaining: i) authorities' or employers' power to unilaterally annul, modify or extend the content and scope of collective agreements, and ii) authorities' approval of freely concluded collective agreements.
- 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 periods for strikes.
- Discretionary determination or an excessively long list of "essential services" in which the right to strike is prohibited or severely restricted.

Although the right to freedom of association and collective bargaining have been incorporated in the Federal Constitution, the new Labour Proclamation achieved a mixed result. The bill's reforms have progressively extended favourable conditions for unionism, but it withdraws provisions that could have been beneficial to effective collective bargaining. In addition, government executive agencies are demonstrating some coordination weaknesses, e.g. the labour inspectorate attempts to enforce the collective aspects while ministries such as trade and industry tend to ease regulatory burdens on investors, including those regulations necessary for the protection and promotion of collective labour rights.¹⁷ An overwhelming informal economy is furthermore challenging legal enforcement of legislation in practice, since this 'sector' largely is unregulated.

Ratified ILO Conventions

Regarding Ethiopia's ratification of international labour standards, a total of 23 ILO Conventions are ratified,

of which 21 are in force, while one Convention has been denounced. In the past 12 months, one has been ratified (see also Appendix Table 25).¹⁸

First, the eight Fundamental Conventions are the most important conventions that cover the four fundamental principles and rights at work. Ethiopia has ratified all of them.

Second, ILO has designated four Governance Conventions that are important to build national institutions and capacities that serve to promote employment, i.e. these conventions encourage a well-regulated and well-functioning labour market. The country has ratified one out of four of these Governance Conventions, which is the Tripartite Consultation (International Labour Standards) Convention (C144).

Third, the ILO has 177 Technical Conventions, out of which 83 conventions are "Up-To-Date" and actively promoted, i.e. an Up-To-Date Convention is one that is ready for ratification by the Member States and has been examined by the ILO Governing Body and deemed to be relevant.¹⁹ Ethiopia has to this date (August 2019) ratified 14 of the Technical Conventions.

The latest ratified Conventions was the Maritime Labour Convention (MLC, 2006) in March 2019. The Government has specified the following branches of social security: medical care, employment injury benefit, and maternity benefit. The Convention will enter into force for Ethiopia on March 28, 2020.

The Committee of Experts on the Application of Conventions and Recommendations (CEACR) is an independent body composed of 20 legal experts at the national and international levels, which is charged with examining the application of ILO Conventions and Recommendations by ILO Member States. The committee's latest direct request was a submission published in the 108th International Labour Conference (ILC) session in 2019. It included observations and direct requests for two of the eight Fundamental Conventions: Abolition of Forced Labour Convention (No. 105) and the Minimum Age Convention (No. 138). Regarding the former, the Committee expressed its deep concern over the detentions of, and prosecutions against, opposition parties' members and human rights defenders, and recognised that restrictions on fundamental rights and liberties, including freedom of expression, may have a bearing on the application of the Convention if such restrictions are enforced by sanctions involving

compulsory labour. Regarding the latter, the Committee noted with concern that a significant number of children under 18 years of age are engaged in hazardous work. The Committee, therefore, urges the Government to strengthen its efforts to ensure that, in practice, children under 18 years of age are not engaged in hazardous work in either urban and rural areas (see more in Child Labour section).²⁰

Trade Agreements

Ethiopia has signed separate trade agreements that are linked to employment regulations.²¹ The Common Market for Eastern and Southern Africa (COMESA) agreement extends to collaboration on employment conditions and labour law.²² Ethiopia furthermore signed the 2000 Cotonou Agreement between the European Union (EU) and the African, Caribbean and Pacific (ACP) countries, which reaffirms its commitment to ILO's Fundamental Conventions and includes a labour provision on cooperation on various labour and social issues. In March 2018, Ethiopia and 43 other African countries also signed the African Continental Free Trade Area (AfCFTA). This agreement aims to create a free trade area to improve regional integration and to boost economic growth across the continent through intra-Africa trade, which stands at around 10% of all trade. This agreement commits countries to remove tariffs on 90% of goods, with 10% of "sensitive items" being phased in later on. AfCFTA will liberalise trade in services and might, in the future, include free movement of people and a single currency. Ethiopia's Council of Ministers approved the country's membership to the AfCFTA in February 2019; currently, forty-four of the fifty-five Africa Union members signed the agreement establishing the regional institution. Ethiopia is furthermore in the process of accession to the World Trade Organization (WTO). This means that domestic firms will be facing stiff competition from foreign companies.

The country has Bilateral Investment Treaties (BITs) with at least 30 countries: Algeria, Austria, Belgium, China, Djibouti, Egypt, Equatorial Guinea, Finland, France, Germany, India, Iran, Israel, Italy, Kuwait, Libya, Malaysia, Netherlands, Qatar, Russia, South Africa, Spain, Sudan, Sweden, Switzerland, Tunisia, Turkey, United Kingdom, USA, and Yemen. In addition, Double Taxation Avoidance Treaties (DTTs) are signed with at least 12 countries including the Czech Republic, France, Israel, Italy, Kuwait, Romania, Russia, South Africa, Tunisia, Turkey, and Yemen.

Generalised System Preferences (GSP) are extended to Least developed countries (LDC) by most developed and developing countries, which includes Ethiopia, and cover Australia, Canada, China, the EU, India, Japan, New Zealand, Norway, USA, Russia, South Korea, Switzerland, and Turkey.

The African Growth and Opportunity Act (AGOA) is an agreement provided by the United States to eligible sub-Saharan African countries to export their qualified products free from tariff and quotas. Ethiopia's export under AGOA jumped by 62% between October 2017 and September 2018, reaching US\$137 million. Exports are part of the fast-growing manufacturing sector (see also the sections: Sectoral Employment and Economic Performance).

Ethiopia is a member of the European Union's (EU) Everything but Arms (EBA), which promotes market opportunities given to all LDCs, including full duty-free and quota-free access to the EU markets for all exports except arms and armaments.

National labour policies

Central national labour policies are evolving. First, the National Youth Revolving Fund is enforced, but the media argues it is underperforming, especially regarding the inefficiency of implementing institutions at various levels, as well as the growth of non-returnable youth funds meant to revolve to other youths.²³

Second, the establishment of minimum wage policy is in progress within the framework of the new Labour Proclamation. A commission will set a standard base-wage depending on the economy, cost of living and other factors to avoid the hassle of revising the proclamation repeatedly.

Third, the National Employment Policy and Strategy (NEPS) was adopted in 2017. It aims to ensure that productive and decent employment is promoted in the country. The National Employment Council (NEC) evaluates and monitors implementation of the policy at all levels. It comprises representatives from the relevant public sectors at the federal and regional level, organised workers and Employers' Associations, representatives from the informal economy, and others, as appropriate. Employment Council bodies with a composition similar to NEC are meant to be established at regional and workplace levels to ensure the implementation of the provisions of the policy and the creation of decent employment opportunities. However,

the application of policy provisions at the workplace level is challenged by lack of enforcement and is rarely in place. An impact evaluation of NEPS is not yet available.

Fourth, privatising and financial liberalisation is generally ongoing, e.g. in August 2019, the government took first steps towards liberalising its tightly controlled financial sector by granting a business license to a foreign-owned company for the first time (see more in the section: Economic Performance).²⁴

The application of labour policies is challenged in practice by gaps in implementation at the government level due to lack of resources. There are also implementation gaps at the enterprise level due to the absence of enforcement, the physical aspects of workplace safety, and insufficient awareness and incentives.²⁵

TRADE UNION RIGHTS VIOLATIONS

Workers are challenged by a systematic violation of rights. In 2019, Ethiopia is ranked four out of five in the Global Rights Index (five is worst). For instance, government and business are engaged in serious efforts to crush the collective voice of workers and therefore ignore fundamental rights.²⁶ In recent years, ITUC recorded just one case of violation of trade union rights in 2018 that was related to nine Ethiopian air traffic controllers that were arrested for allegedly leading a week-long work boycott.²⁷ A heated dispute between labour union and the management of Ethiopian Airlines Group during 2019 with the intervention of continental and international trade unions.

Fear of retribution and long delays in hearing labour cases in the industrial court system deter workers from participating in strikes or other labour actions. It has been noted that the ILO was critical of the government's use of the anti-terrorism law to punish organisers and labour leaders. Anti-union activities occur in Ethiopia. Media reports reveal that some major foreign investors generally do not allow workers to form unions, often transfer or dismiss union leaders, and intimidate and pressure members to leave unions. Officials are taken into custody over unpaid wage issues. Lawsuits alleging unlawful dismissal often take years to resolve because of court case backlogs.²⁸

Despite the law prohibiting anti-union discrimination, unions report that employers terminate union activists. The law prohibits retribution against strikers, but as

mentioned above, authorities arrested nine air traffic controllers for striking.²⁹

Although forced labour is prohibited in labour legislation in Ethiopia, it does occur. Again, this situation is related to insufficient government staff to effectively enforce the law and to a workforce dominated by the informal economy. In practice, many adults and children are often under coercion while engaging in a wide range of tasks, e.g. in street vending, begging, traditional weaving of hand-woven textiles, or agricultural work. Children also work in forced domestic labour (see also Child Labour section). Situations of debt bondage also occur in traditional weaving, pottery making, cattle herding, and other agricultural activities, mostly in rural areas.³⁰

ILO's Committee of Freedom of Association has no active cases or follow-up cases with Ethiopia (Table 4).

Table 4: Freedom of Association cases in Ethiopia, 2019 (June)

ILO Complaints Procedure	
Active	0
Follow-up	0
Closed	6

Source: [ILO, NORMLEX, International Labour Standards country profile, Ethiopia](#)

WORKING CONDITIONS

Ethiopia still has no national minimum wage. The legislation restricts enterprise unions from negotiating wages at the plant level. Some government institutions and public enterprises set their own minimum wages. Public sector employees, the largest group of wage earners, receive a monthly minimum wage of 615 birr (US\$22). Garment factory workers from the private sector have a slightly higher wage of 720 birr (US\$26) per month. It places Ethiopian factory workers among the lowest paid in any major garment-producing company worldwide.

The average consumer basket of goods and services is increasing fast in the country, and the living wage (i.e. necessary living costs of a typical family) was estimated at 5,870 birr (US\$212) per month in 2018.³¹ Thus, the living wage is significantly higher than the real monthly minimum wage: the inflation in consumer prices has been relatively high, and it has affected the workers' income purchasing power negatively. During 2018, trade unions launched a campaign aimed to secure better wages and to include it in ongoing labour law reforms.

Table 5: Status of wages and earnings in Ethiopia, Monthly

	Current Ethiopian birr	Current US\$
Private sector wage (2019) Garment factory workers	720 *	<26 *
Minimum wage (2015-) Government institutions /public enterprises	615	22

* Lowest registered salary in the garment sector; other companies registered 1,716 birr (US\$60) per month.

Sources: [U.S. Department of State](#) and [CNN](#)

Overall, the government does not effectively enforce wage laws. Incomes in the informal economy are generally below subsistence levels, and the official estimate for the poverty income level was 315 birr (US\$11) per month.

The MoLSA carried out regular labour inspections to monitor compliance in the formal sector. In practice, a majority of the total employment is active in informal activities and labour regulations are not applied due to a lack of awareness or incentives. The government employed 516 labour inspectors in 2018, which reached close to one inspector per 100,000 workers (or one per 13,300 employees, representing just 14% of the total employment). The ILO recommends one per 40,000 workers in less developed countries.³²

Labour Proclamation reforms adjusted overtime work and payment. This bill retains the maximum working hours of 8 hours a day and 48 hours a week. Work done in excess of these hours is considered overtime. Maximum overtime work is capped at 4 hours per day and a maximum of 12 hours per week. The maximum monthly and annual overtime hours of 20 and 100 hours respectively was removed. Depending on the time of work, the rate of payment for overtime has also slightly increased from 1.5 to 1.75 multiplied the daily hourly rate. The new Proclamation does not offer any flexibility for parties to agree on an extension of overtime beyond the limit stipulated by law.³³ See more details in Table 6.

Table 6: Status of Working Conditions in Ethiopia

Fixed-term contracts prohibited for permanent tasks	Yes
Maximum length of a single fixed-term contract (months)	No limit
Standard workday	8 hours
Premium for night work (% of hourly pay)	0 %
Premium for work overtime work (% of hourly pay)	25 %
Paid annual leave (average for working days with 1, 5 and 10 years of tenure, in working days)	18.3
Minimum length of maternity leave	90 days

Receive 100% of wages on maternity leave	Yes
Five fully paid days of sick leave a year	Yes
Unemployment protection after one year of employment	No

Source: [World Bank, Doing Business, Labor Market Regulation](#)

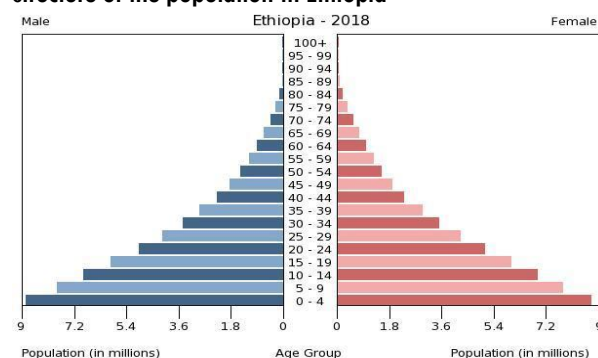
Based on a mapping of general workplace provisions, the employers' responsibility to protect Occupational Safety and Health (OSH) safety, i.e. prevention along with OSH management principles and practice plus the elimination of discrimination based on gender, are basically in line with international standards at the policy level. However, mandatory workplace policies are rarely in place, nor are they in focus for enforcement. Cases of injuries go unreported and without investigation. Also, OSH standards do not adequately address worker safety among domestic workers and seasonal agricultural workers who are excluded from these workplace regulations.³⁴

The latest National Labour Force Survey from 2013 (NLFS 2013) assessed that the mean number of hours worked per week amounts to 32.5 hours. One result of this survey reveals that employed persons in urban areas work longer than those in rural areas - most employees in the formal sector worked 39 hours per week. Many foreign, migrant, and informal labourers, worked more than 48 hours per week. Hazardous working conditions frequently exist in the agricultural sector, which is the primary base of the country's employment. There are also reports of hazardous and exploitative working conditions in the construction and industrial sectors, although data on deaths and injuries are not available.

WORKFORCE

In June 2019, the population of Ethiopia was estimated at 110 million. It is the second most populous nation in Africa after Nigeria. The pace of population growth has slowly declined since the 1990s, reaching 2.4% per annum to date. In 2018, the fertility rate for Ethiopia was 3.97 children per woman, falling slightly from 4.32 children per woman in 2015. The country has made significant strides in reducing maternal mortality, but regional disparities in access to health remain. Figure 2 below reveals that close to three-quarters of the population are below the age of 30 years. Thus, Ethiopia has a young and fast-growing youth population bulge. This situation puts pressure on job creation in the formal sector as well as health, education and social protection services in the country.

Figure 2: Population pyramid based on the Age-Sex structure of the population in Ethiopia



Source: [CIA, The World Factbook, Ethiopia](#)

In 2012, Ethiopia's urban population was estimated at 17%. It is among the lowest rates in the world and below the sub-Saharan average of 37%. However, this situation will change significantly. According to the Ethiopian Central Statistics Agency, the urban population is projected to nearly triple at an annual growth rate of 3.8% resulting in a projected population 42.3 million by 2037.³⁵

Based on NLFS 2013, the size of economically active persons approached 44.4 million (80%) out of the total population aged ten years and above. This activity rate reveals a slight increment in comparison to 1999 (75%), but it is down by one percentage point since 2005 (81%). The economically inactive population – those who are not engaged in productive activities or are not available to work due to homemaking activities, school attendance, old age/retirement, and illness – accounted for 11.2 million persons (20%).³⁶ Other projections of the employment-to-population ratio illustrate both a significant gender gap that favours men and at a slightly higher rate than the Eastern Africa average, on all levels (see details in Table 7 below).

Table 7: Estimations of employment-to-population ratio in Ethiopia and Eastern Africa, Age and Sex distribution, 2020

Sex	Age	Ethiopia	Eastern Africa
Total	Total 15+	79 %	74 %
	Youth 15-24	70 %	58 %
Men	Total 15+	85 %	79 %
	Youth 15-24	74 %	61 %
Women	Total 15+	73 %	69 %
	Youth 15-24	67 %	55 %

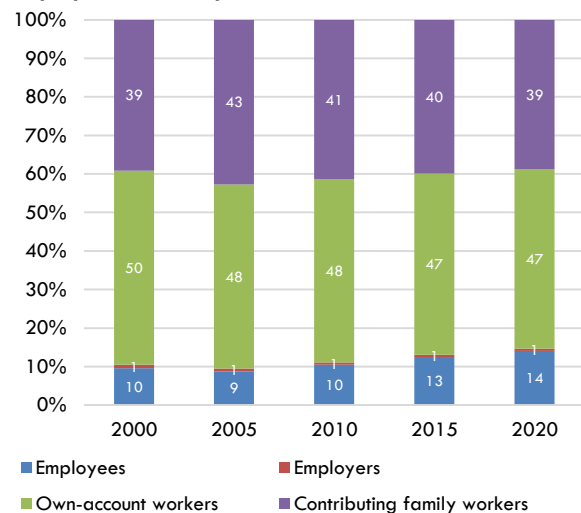
Source: [ILO, Key Indicators of the Labour Market \(KILM\)](#)

NLFS 2013 established only small structural changes in the status of employment. Paid employment grew from 8% in 1999 to 10% in 2013, as did unpaid family

work from 47% to 49%. In contrast, self-employment fell from 44% to 40% in the same period. These trends are similar to the ILO's estimations and projections. Figure 3 below projects that employers will represent around 0.6% of total employment in 2020, but the trend is flat. Employees (i.e. paid employment) are projected to reach 14% by 2020. This latter segment is lower than the Eastern African average rate of 20% and is significantly inferior to the World average of 54%. Both own-account workers and contributing family workers are incorporated under the concept of 'vulnerable employment' and represent 86% of total employment. The vulnerable employment concept is interrelated to inadequate earnings, low productivity and challenging work conditions that undermine workers' fundamental rights.³⁷

Another issue is that in recent years, the industrial sector is on a fast economic upsurge in the country. It points towards an increase among the employees' segment. Since the status of employment projections are based on estimations from the NLFS 2013, it could underestimate the real growth among employees (see also the Sectoral Employment section).

Figure 3: Estimations and projections of status of employment in Ethiopia, %, 2000-2020



Source: [ILO, Key Indicators of the Labour Market \(KILM\)](#)

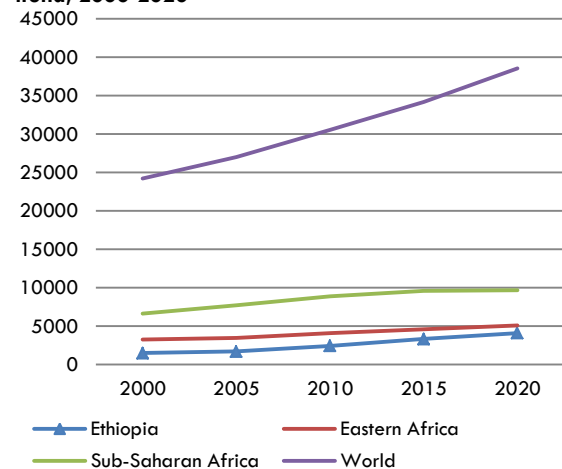
Labour market challenges are characterised by various factors in Ethiopia. First, a large part of the workforce operates in informal, subsistence agriculture; informal workers comprise out of four (26%) among urban employees. This is connected to the fact that formal employees are mostly present in urban areas. It is worthwhile to mention that the urbanisation rate is low at 17%.

Second, micro-, small- and medium-enterprises (MSMEs) are spread across all sectors. A majority are micro-enterprises: data from Addis Ababa indicates 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.³⁸ The informal micro- and small-enterprises deliver primarily low productivity activities. This latter segment is often lacks access to capital, finance, and training.

Third, many students who graduate from high school and college are under-qualified to fill vacant formal jobs. This situation signals weaknesses between the interlinkage between the education system's supply and the labour market's demand. Research shows that poorly educated workers are one of the most common business obstacles.³⁹ Besides, many low-skilled young workers end up being unproductive and work a few hours per week in the informal economy (see also the Youth and Education sections).

The links between employment status, access to formal jobs and matching qualifications is reflected in labour productivity. In Ethiopia, the labour productivity rate is slightly lower than the Eastern Africa average, and significantly below the sub-Saharan Africa and the World average. Figure 4 below shows that a gap in the labour productivity between Ethiopia and the World average is widening, but getting closer to the Eastern Africa average. The high labour underutilisation partly explains low labour productivity along with the widespread informality of micro- and small enterprises and a mismatch between skill level and the skills required for many formal jobs (see more ahead).

Figure 4: Estimations and projects of the labour productivity trend, 2000-2020



Note: Labour productivity is defined as output per worker (GDP constant 2011 international \$ in Purchasing Power Parity (PPP))

Source: [ILO, Key Indicators of the Labour Market \(KILM\)](#)

Unemployment

Urban unemployment is a problem in Ethiopia, especially among youth. According to the latest NLFS from 2013, the total unemployment rate was 4.5% and it diverged between urban and rural areas: 17% and 2.0%, respectively. The youth unemployment rate was 11%. The total and youth unemployment rates declined 3.6 percentage points and 1.0 percentage point, respectively, in the period from 2009 to 2013. Since the urbanisation rate is rising and insufficient number of additional formal jobs are being created, it suggests that the Sustainable Development Goal target in terms of unemployment will be challenged in the upcoming years (see more on the SDG table, Indicator 8.5.2, in Page iv).

The above-applied national statistical definition of unemployment is in 'relaxed' term, i.e. it includes persons without work and those who are available for work, including those who are or are not seeking work. A more 'strict' international statistical definition of unemployment – which is the total number of people that lack employment (i.e. without work, currently available for work, and seeking work) – the unemployment rate is estimated at 1.8%, while youth unemployment is at 2.7% in 2020. According to these latter unemployment rates, Ethiopia has much lower rates than the Eastern Africa average (see more in Table 8).

Table 8: Estimations of unemployment and underutilisation in Ethiopia and Eastern Africa, 2020

Type		Ethiopia	Eastern Africa
Unemployment	Total	1.8 %	3.8 %
	Men	1.2 %	3.6 %
	Women	2.4 %	4.1 %
Youth Unemployment	Total	2.7 %	6.2 %
	Men	2.0 %	6.0 %
	Women	3.6 %	6.4 %
Labour underutilisation * (2013)	Total	26 %	-
	Men	22 %	-
	Women	31 %	-

* Underutilisation constitutes of: i) time-related underemployment, ii) unemployment, and iii) Potential labour force.

Source: [ILO, Key Indicators of the Labour Market \(KILM\)](#) and [Central Statistical Agency](#)

The statistically low 'strict' unemployment rate hides the real challenge of the workforce in a developing country like Ethiopia. First, many workers are engaged in informal activities with low earnings even for a few hours, and they are not statistically counted as unemployed. Second, the statistically low unemployment rates in Ethiopia are shadowed by the above-mentioned high labour underutilisation due to

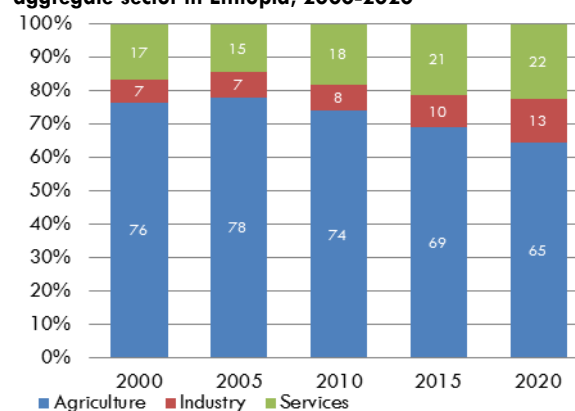
mismatches between labour supply and demand. NLFS 2013 found that labour underutilisation occurs in one out of four (26%) of total employed, and again, with a stark gender gap (see Table 8 above). It further provides a hint of one of the reasons for the country's relatively low labour productivity rate. In addition, unemployment protection schemes are not available.

Two million new people are entering the labour market every year. Many young urban people are frustrated by the lack of access to formal jobs. They often lack incentives to job hunt due to the absence of a minimum wage. Many of those who do work are frequently not being paid according to the amount of work they do. This is fostering a negative attitude towards work within the labour market. In November 2019, the Job Creation Commission promoted a new job creation plan 2020-2025 aimed at creating 20 million jobs within a decade. This ambitious plan seeks to create three million jobs just in 2020, which is pointed towards 1.1 million of the jobs in the industrial sector, one million in the agricultural sector and the remaining 950,000 in the service sector.

Sectoral Employment

Some small structural changes are reflected in the statistical estimations in each sector during the 2010s. According to the NLFS 2013, 73% of total employment was located in the agricultural sector, 7.4% was in the industrial sector, and 19% was in the service sector. Longer trends are represented in ILO's estimations and projections in Figure 5 below, which suggest declining employment in the agricultural sector and an upsurge in the industrial sector.

Figure 5: Estimations and projections of employment by aggregate sector in Ethiopia, 2000-2020



Source: [ILO, Key Indicators of the Labour Market \(KILM\)](#)

Table 9 below illustrates disaggregated data on employment per sector. The main observations are, first,

that the agricultural sector has the highest share of total employment at 73% (30.8 million workers). Second, men dominate most sectors, except in manufacturing, wholesale and restaurant/hotels, and 'other services'. These 'other services' – i.e. households as employers and services-production activities for one's own use – have the second-highest share of total employment at 8.6%, followed by the wholesale, restaurant and hotel sector (6.5%), and, lastly, manufacturing at 4.5%. Third, together, the six other sectors share the rest, 7.7% of the total employment; for example, mining and quarrying sector (0.4%), transport, storage and communication sectors (0.9%), and construction sector (1.9%). This means that the total employment structure is not widely divided among different sectors.

Table 9: Distribution of employment population aged ten years and above in Ethiopia, 2013

Sector	Total employment *	Employment share per sector	Men's share of total employment
Agriculture	30,827,620	73 %	59 %
Mining & quarrying	169,616	0.4 %	67 %
Manufacturing	1,908,175	4.5 %	38 %
Electricity, gas & water	254,423	0.6 %	54 %
Construction	805,674	1.9 %	80 %
Wholesale, restaurants & hotels	2,756,252	6.5 %	37 %
Transport, storage & communication	381,635	0.9 %	96 %
Finance, real estate & business services	131,452	0.3 %	70 %
Public administration, education and health	1,526,540	3.6 %	63 %
Other sources **	3,604,330	8.6 %	21 %
Total	42,403,879	100 %	54 %

* Total number of employment is from NLFS 2013 while the sub-sectors are based on own calculations based on percentage. Aggregating sub-sectors employment is diverging slightly from the NLFS total number due to digests.

** Including: other services activities, households as employers, activities of households for own use, extraterritorial organisations.

Source: [CSA, National Labour Force Survey 2013](#)

Global brands and retailers see Ethiopia as an ideal country for manufacturing and production, mainly due to its vast and low-wage workforce. The manufacturing sector is experiencing rapid growth in the country, with several new players – often foreign-owned textile and garment manufacturers – which establish production facilities to supply foreign markets (see also the sub-section: Special Economic Zones and Industrial Parks). Data in Table 9 above shows that the manufacturing sector still plays a marginal role in total employment

(4.5%). However, this data is from 2012/13, thus is not updated or in line with changes in the economic structure during the 2010s. On the other hand, the manufacturing industry appears to fall short of stimulating domestic linkages, and continues to be dominated by micro- or small enterprises, low-value and low-technology products, and weak inter-sectoral and intra-sectoral ties.⁴⁰ Some of the issues that create multiple challenges in the industrialisation process are low productivity, unrest related to land issues, and government bureaucracy.⁴¹ In addition, workers in Ethiopian garment factories are continuing to earn low wages and are discriminated against for union affiliation.⁴² This suggests that the country will be challenged in reaching the SDG target of sustainable industrialisation (see also SDG table, Indicator 9.2.2, in Page iv).

Table 10 provides a view of the Gross Domestic Production (GDP) by sector and by value per worker. Some of the main observations are, first, the agricultural sector has the highest GDP share at 39%, with a GDP share per worker of US\$603. This latter value is the lowest among the other sectors, and it is supported by the general low labour productivity rate. The value is kept low due to the sector's overwhelming subsistence level. Second, the financial sector has the highest GDP share per worker, but as demonstrated in Table 9 above, this segment covers just 0.3% of total employment. Third, the manufacturing industry contributes to a GDP share of 4.8% with a relatively low GDP share per worker of US\$1,199 per year. More details are available in Table 10 below.

Table 10: GDP share by sector and GDP share per workers in Ethiopia, 2013/14

Sector	GDP share by sector	GDP share, US\$ current (millions)	GDP share per workers per year, US\$
Agriculture	39 %	18,583	603
Mining & quarrying	0.8 %	381	2,247
Manufacturing	4.8 %	2,287	1,199
Electricity, gas & water	1.0 %	477	1,873
Construction	8.5 %	4,050	5,027
Wholesale, restaurants & hotels	22 %	10,482	3,803
Transport, storage & communication	4.8 %	2,287	5,993
Finance, real estate & business services	9.7 %	4,622	35,160
Public administration and defence, security	5.0 %	2,382	1,561

Other services	5.3 %	2,525	701
Total	100 %	47,648	1,124 *

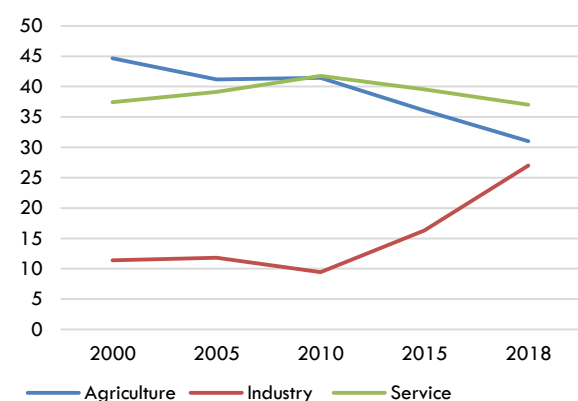
* Mean average.

** Including: other services activities, households as employers, activities of households for own use, extraterritorial organisations.

Source: [African Economic Outlook Ethiopia 2016](#) and own estimations on the GDP share per sector and GDP share per worker.

The trends in GDP share per aggregate sector changed significantly during the 2010s. Figure 6 below reveals that the agricultural sector's share of GDP dropped from 41% in 2010 to 31% in 2018, and the service sector decreased from 42% to 37% in the same period. On the other hand, the industry sector increased rapidly from 9% to 27% in the same period. This suggests that an industrialisation process, especially within manufacturing, is in progress in the country. Taking into consideration the upsurge in the industrial sector's GDP share, growing urbanisation and the potential growth of the employee segment structural changes seem to be in progress.

Figure 6: Aggregate sector share in Ethiopia, % of GDP, 2000-2018



Source: [World Bank, World Development Indicators](#)

Informal Economy

The informal economy is a central part of the economy and employment in Ethiopia. As in many other low-income countries, registration of informal economic units in Ethiopia is low, which is related to weak application of labour and business regulations.

The 'informal economy' is a complex concept to measure and can be understood in different ways. First, informal units are typically run at low levels of an organisation, with little or no division between labour and capital as factors of production, and they operate on a small scale. Second, informal labour relations are mostly based on casual employment, kinship, or personal and

social ties rather than contractual arrangements with formal guarantees. Third, informality is characterised by the absence of accounts and consists of mostly unregistered entities without permanent addresses. Fourth, informal workers are beyond social protection, including unemployment protection and pension schemes, and workplace protection measures.

National statistical data on the country's informal employment includes urban areas, but excludes the subsistence agricultural sector and those who are self-employed in the informal economy. Changes in the economy and the employment structure include a noteworthy reduction in the urban population working in the informal economy, which fell from 51% in 1999 to 26% in 2013. This reduction of 25 percentage points was a result of the industrialisation process in progress and the low urbanisation rate. It has driven the urban job creation in the formal sector along with the government's implementation of strategies to enhance youth employment creation in urban areas.

Controlling the expanding informal economy has become one of the priorities of the government's Small and Medium Enterprises programmes. It suggests that the country is in progress in meeting the Sustainable Development Goal's target of reducing the proportion of informal employment in non-agriculture employment (see also the SDG Table, Indicator 8.3.1, in Page iv). However, the urbanisation rate remains low at 17%. Two out of three of total employed are in the agriculture sector and dominated by informality. The urbanisation rate is projected to rise fast, which points towards pressure on the demands of formal job creation in the urban non-agricultural sectors. If the economy and labour market do not achieve sufficient formal job creation, informal employment in urban areas is most likely to rise. In addition, the education system does not sufficiently prepare youth entering the fast growing formal sector, e.g. around one out of two employed have less than a basic education (see also the section: Education).

A broader indication of informal employment is mirrored in the segment on vulnerable employment (i.e. own-account workers and contributing family workers). According to estimations, it declined by just around 4 percentage points during the last two decades, reaching 86% of total employment in 2019 (see more in Table 11).

Table 11: Employment in the informal economy in Ethiopia, %, 2013

Informal economy share of GDP	39 %
Proportion of urban population working in the informal economy	26 %
Change in proportion of urban informal employment, 1999-2013	-25 p.p.
Vulnerable employment (2019)	86 %
Change in proportion of vulnerable employment, 2000-2019	-4 p.p.

Source: [Central Statistical Agency, Analytica Report on the 2013 National Labour Force Survey](#), [ILO, Key Indicators of the Labour Market \(KILM\)](#) and [IMF, The Federal Democratic Republic of Ethiopia, Selected issues, 2013](#)

The informal economy is estimated to be about 39% of GDP compared with an average of 38% for sub-Saharan Africa and 38% for all low-income countries.

Women in urban employment are much more prevalent in the informal economy (37%) than men (18%). This gender gap is interrelated with attitudes, beliefs and practices which often subordinate women on the labour market (see also the sub-section: Gender).

In practice, a majority of urban informal workers are operating in crafts and related trades, service and shops, and market sales, including vendors. In rural areas, informal workers are in subsistence agriculture. Labour productivity in the informal economy is often low due to lack of capital, training, infrastructure and the general characteristics of workers. Informal activities lead to low and unstable incomes, especially for unskilled workers. Furthermore, the urban labour market in Ethiopia is characterised by a substantial wage gap between the formal sector and informal economy.

Informal workers often lack awareness or incentives to formalise enterprises. For example, the high cost of registering businesses is among the factors that keep economic activities informal (see also Appendix Table 26). However, some successful small businesses also operate in the informal economy, including small-scale manufacturing firms.

Trade unions or employers' associations are not allowed to be register informal organised workers. Instead, many workers operate in traditional self-help organisations. In recent years, CETU has initiated some activities to eradicate precarious employment and the plight of the informal economy workers by using a tripartite forum. It includes working with social partners for the recognition of the right of informal economy workers to organise. Nevertheless, a specific national

Tripartite Forum on the Informal Economy has not been created and there is a lack of other national forums and policies addressing the informal economy.⁴³

Migration

In Ethiopia, migration flows consist of: rural-urban, internal displacement, out-migration (emigration), and refugees. First, the migration from rural to urban areas is reflected in a rapidly rising urbanisation rate driven by workers seeking better job opportunities and higher income possibilities.

Second, natural calamities continue to impact Ethiopia's economy, notably the El Niño drought in 2016 and the East Africa drought in 2017, as well as disease outbreaks, large scale loss of livelihood assets and inter-ethnic rivalries. Central factors are that around 8.5 million Ethiopians are food insecure. In 2018 and 2019, water scarcity and ethnic violence particularly triggered a rising internal displacement.

At least 1.3 million Ethiopians are registered as Internally Displaced People (IDPs), i.e. 529,000 due to natural hazards and 731,000 due to internal conflict. This figure has more than doubled since 2016. Today, Ethiopia has one of the highest numbers of IDPs in the world. The country has not ratified the 2009 African Union Convention for the Protection and Assistance of Internally Displaced Persons in Africa, also known as the Kampala Convention. The government is only providing limited food and non-food supplies, but the international community has increased its support. The government is revising the 2019 Strategic Plan to Address Internal Displacement in Ethiopia. The plan aims to ensure the voluntary, safe, dignified and sustainable return or relocation of Ethiopia's conflict-displaced populations. A report suggests that IDPs have continued to return to their homelands with minimal to no assistance, and some have been forced to return. The vast majority of the returnees are living in makeshift shelters. Others are temporarily sheltered in camps.⁴⁴

Third, the country is among the African countries with the highest concentration of refugees. More than 900,000 people are recorded as refugees and asylum seekers. Ethiopia continues to receive a steady influx of asylum seekers; for example, over 73,000 South Sudanese and 6,500 Somali refugees entered in 2017.⁴⁵ In February 2019, the Refugees Proclamation No. 1110 was approved as an update to Refugee Proclamation No. 409 from 2004. It has been praised as one of the most progressive refugee laws in Africa. The revised law

allows refugees to obtain work permits, access primary education, obtain drivers' licenses, register births and marriages, and open bank accounts. However, experts from the United Nations Human Rights Office of the High Commissioner's (HROHC) Committee on the Elimination of Discrimination against Women raised the issue of the high number of out-of-school refugee children, girls in particular, and the gender-based violence in refugee camps.⁴⁶

Fourth, the demand for skilled and unskilled labour in other countries is also a pull-factor for Ethiopians. Data reveals that in the net migration rate – i.e. the number of out-migration (emigrants) versus in-migration (immigrants) - more leave than enter the country. During the 1990s, there was a high out-migration rate. It was reduced in the beginning of the 2000s and stayed flat from 2008 to 2017 (

Figure 7). Despite the relatively high migration outflow, it has not turned into an important part of the economy. During 2013-2017, for example, the personal remittance received rate in Ethiopia was low at 1.6% of GDP on average, which was lower than the sub-Saharan Africa average of 2.5% (Table 12). This low rate is a result of a rigid financial sector. In July 2019, Ethiopia's parliament passed a bill to open up the country's financial sector to an estimated five million of its citizens who have become citizens of other countries, including allowing them to buy shares in local banks and to start lending businesses (see more in the section: Economic Performance).⁴⁷

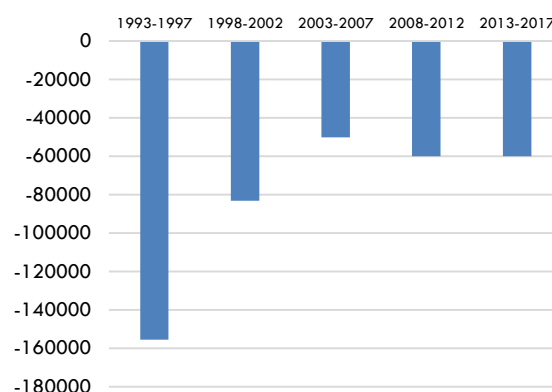
Table 12: Migration Facts in Ethiopia

Net number in migration (2012-2017)	Ethiopia	- 60,001 *
Net migration rate	Ethiopia	-0.13 ** (2015)
		-0.12 ** (2010)
Personal remittances received, % of GDP (2013-2017, average)	Ethiopia	1.6 %
	Sub-Saharan Africa	2.5 %

* Net migration is the net total of migrants during a period of five years; the total number of immigrants less the annual number of emigrants, including both citizens and non-citizens. ** Net number of migrants per 1,000 of the population.

Source: [World Bank, World Development Indicators](#) and [KNOEMA](#)

Figure 7: Net number of migration in Ethiopia, 1993-2017



Source: [World Bank, World Development Indicators](#)

Many Ethiopian workers are increasingly seeking employment in the Middle East, especially in the Kingdom of Saudi Arabia. Among other initiatives, the labour ministers from Ethiopia and Saudi Arabia met in January 2019 to strengthen bilateral cooperation in the field of labour, e.g. recruitment procedures in Saudi Arabia and the mechanisms of receiving foreign workers through domestic labour programmes. The Saudi government agreed to raise the minimum monthly salary of Ethiopian domestic workers to 1,000 Saudi Riyal (US\$267), which is far above Ethiopian national wages (for example, US\$26 per month in the garment sector). Ethiopia has already signed bilateral agreements with Kuwait, Jordan and Qatar to govern the flow of low-skilled workers and is working on deals with other nations.

Data reveal that at least 60% of Ethiopian migrant workers who reach the Middle East do so in an irregular manner. Migrants often suffer from extortion, captivation, hunger, torture and uncertainty and even exploited by human traffickers who promise access to Saudi Arabia.⁴⁸ If Ethiopian migrants manage not to die in the desert at the African horn or drown crossing the Gulf of Aden, many become stranded in war-torn Yemen in the hands of exploitative human traffickers. In 2018, more than 160,000 migrants (90% are Ethiopians and the remaining 10% are from either Somalia or Eritrea) landed in Yemen, which is an increase of 50% compared to 2017. The majority of Ethiopian migrants arriving in Yemen are locked up, abused and tortured in camps until they call people at home and raise money for a ransom. While the camps often are driven by Yemenis, the torturers are often Ethiopians of a different ethnic background than those they torture. Those migrants who manage to arrive at the Saudi border risk being shot and killed by Saudi

border guards. The Gulf route continues to attract Ethiopians, indicating both level of desperation and the ability of traffickers to sell the dream of a future in Saudi Arabia.

The Saudi Arabian government has strengthened its regulations to curb illegal migration, including an estimated 500,000 Ethiopians. Those migrants, who cannot live up to regulations, risk detention, fines, and deportation. More than 2,200 migrants have been forcibly returned weekly. In total, more than 160,000 have been returned to Ethiopia. There are still more than 300,000 Ethiopian thought to be in the Saudi Kingdom, and the influx of deportees is expected to rise.⁴⁹

In 2013, Ethiopia instituted a migration ban on domestic workers moving overseas, following reports of abuse and complaints that employment agencies lured Ethiopians into working abroad in illegal and appalling conditions. The ban was lifted in January 2018 to guard against ill-treatment. The Ministry of Labour and Social Affairs (MoLSA) announced that it licensed 20 agencies out of the 923 that applied to operate in Ethiopia as overseas employment agencies.⁵⁰ These agencies are supposed to connect jobless Ethiopians with work in foreign countries.

Child Labour

Ethiopia has one of the highest rates of child labour in the world. Most of these children live in rural areas. One factor that keeps child labour widespread is that the majority of Ethiopians are in subsistence agriculture, often with minimal mechanisation. It is customary for many rural families to allow children to support the families' economic and practical activities. This situation will take time to change. Some of the challenges are that many rural children live far away from school and many families cannot afford to support schooling. Child labour is also present in urban areas.⁵¹

Around 37.3 million children (aged 5-17 years) comprised 43% of the total population in 2015. Close to three out of five (61%) of all children attended school, while 71% were engaged in household chores within their own households. Children often began working at a young age, and at least one out of two (51%) Ethiopian children is involved in economic activities (i.e. a broader and softer interpretation of children engaging in economic activities). The rate of this segment of children hovers far above the African average.

Child labour refers to work that is mentally, physically, socially and/or morally dangerous and harmful to children as well as work or activities that interfere with school attendance. Thus, it is worrisome to note that 43% of children are in child labour (Table 13). Legislation prohibits hazardous or night work for children between the ages of 14 and 18. Hazardous work jeopardises the health, safety and moral development of a child. Those in hazardous work amount to 23% of all child labour in the country.

Table 13: Status of working children proportion of all children in age group, age 5-17

Region	Year	Type	Proportion
Ethiopia	2015	Children in employment	51 %
		Child labour	43 %
		Hazardous work	23 %
Africa	2016	Children in employment	27 %
		Child labourers	20 %
		Hazardous work	8.6 %

Source: [CSA and ILO, National Child Labour Survey 2015](#) and [ILO, Global estimates of child labour: Results and trends, 2012-2016](#)

Those children who work receive a lower income than adults; they are not unionised, and they do not demand workers' rights. Besides, family disintegration due to divorce, various conflicts, war and civil strife, drought and resettlement, orphan-hood due to AIDS, and urbanisation have consequences of the child labour.⁵²

The minimum age for wage or salaried employment is set at 14 by child labour law, and it has flaws. For example, it applies only to contractual labour while self-employed children or children who perform unpaid work are not included; the latter constitutes the vast majority of employed children. Although the legislation prohibits the worst forms of child labour, it is not implemented effectively. Child labourers often face abuse at the hands of their employers, such as physical, sexual, and emotional abuse. Some children worked long hours in dangerous environments for little or no wages and without occupational safety protection. Not to mention, a drop in the funding for the labour inspectorate in recent years prevented proper enforcement of the labour regulations to eliminate the worst forms of child labour. The government has established policies related to child labour, but policy gaps exist that hinder efforts to address child labour, including mainstreaming child labour issues into relevant policies.⁵³

Children in rural areas, especially boys, operate in cattle herding, petty trading, work in agricultural fields in ploughing, harvesting, and weeding, while girls often collect firewood and fetch water as well as work at the household level. Many children also work in small-scale gold mining; they dig mining pits and carry heavy loads of water. Children in urban areas, including orphans, work in domestic service, often working long hours, which prevent many from attending school regularly. Children also work in manufacturing, shining shoes, making clothes, parking, public transport, petty trading, as porters, and directing customers to taxis. A growing number of children work in construction, which is also part of the economic change in the country.⁵⁴

Gender

Ethiopia has demonstrated a political commitment to the advancement of gender equality and women's rights. It has registered an increase in women's participation in political and public life and gender parity in the cabinet, among other advancements. However, women face many barriers to formal jobs, have lower levels of education than men – particularly at secondary and tertiary levels – and have significant wage gaps compared to men. A study suggests that gender inequalities in Ethiopia may lead to a misallocation of labour and an underinvestment in human capital, leading to larger-than-estimated output losses.⁵⁵

According to the media, masculine, patriarchal, and archaic traditions are intertwined in the Ethiopian society.⁵⁶ These traditional characteristics often place women in a subordinate position that create a power imbalance in relations between men and women within the labour market. For example, women earn, on average, only about 63% of what men do. The wage gap is largest in agriculture and smallest in the public sector. Over half of all women engaged in the agricultural sector receive no payment. Similar trends exist in other industries like small-scale manufacturing, where 58% of women workers are unpaid family workers, relative to 40% of men workers.⁵⁷

Another factor is that women still are getting married at an early age: 40% of girls in Ethiopia are married before the age of 18. It is in contrast to the Revised Family Code No. 21 from 2000 that sets 18 years as the minimum legal age of marriage. Women often bear a disproportionate burden of unpaid household activities, including child- and elder-care as well as the

provisioning of food, fuel, and water. This creates trade-offs on women's income-related activities.

The Gender Inequality Index – measuring health, empowerment and economic status – ranked Ethiopia 121 out of 189 countries (1 is highest),⁵⁸ What keeps this relatively low ranking is related to the high maternal mortality ratio and adolescent birth rate; and to low education. Table 14 below provides a snapshot of other significant gender gaps in key labour market indicators.

Table 14: Estimation on workforce key indicators gender gaps in Ethiopia, 2019

	Men	Women	Men/women gap, percentage point (p.p.)
Employment	85 %	73 %	12 p.p.
Unemployment	1.3 %	2.4 %	-1.1 p.p.
Underutilisation *	22 %	31 %	-9 p.p.
Employees	17 %	11 %	6 p.p.
Vulnerable employment **	83 %	89 %	-6 p.p.

* Underutilisation constitutes of: i) insufficient of the volume of work (time-related underemployment), ii) low remuneration (low earnings), and iii) incompatibility of education and occupation (skills mismatch).

** Aggregate own-account workers and contributing family workers.

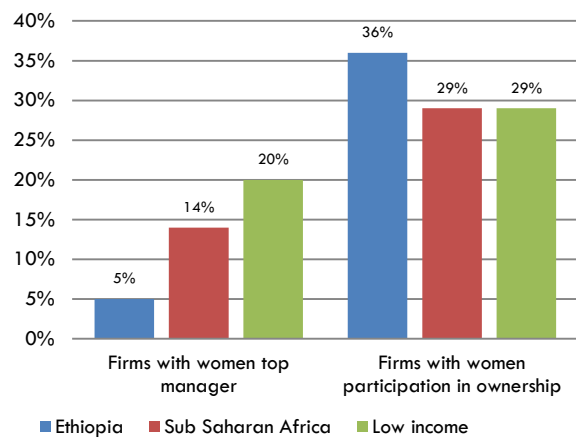
Source: [ILO, Key Indicators of the Labour Market \(KILM\)](#)

The new Labour Proclamation changed the leave period to working days rather than calendar days, resulting in an extension of leave. In regards to maternity leave, the legislation provides 30 days of pre-labour leave and 60 days of post-labour leave. There are no provisions for paternity leave. A handful of companies are known to provide reduced working hours for breastfeeding mothers, but that is on a voluntarily level. Struggles to access protections and maternity leave such as protections for pregnant women and lactating mothers in the workplace are likely to remain low, in part due to a lack of awareness and enforcement, and in part due to fear of reprisals or job loss.⁵⁹

Some recent studies argue that women are significantly less likely to own a business, and when they do, they face significant operating constraints. Just 17% of all businesses registered with the Ministry of Trade in 2014 were owned by women. The median start-up capital of male-owned enterprises is five times higher than that of female-owned enterprises. Women-owned firms appear to have less access to finance, fewer land use rights in some areas, and smaller networks.⁶⁰ Other data reveal that Ethiopian women have a higher share in firms with women partners as co-owners in comparison to the sub-Saharan Africa average, while

the share is much lower of firms with women top management (Figure 8).

Figure 8: Women in firms' top management and ownership, 2015



Source: [World Bank, Enterprise Survey, Ethiopia 2015 Country Profile](#)

Youth

Ethiopia comprises one of the world's youngest populations. At least seven out of ten (70%) of the population are below the age of 30. This population composition has been called a youth bulge, i.e. younger generations are larger than the previous generation. It is a result of, among others factors, an impact of improvements in nutrition and health services as well as decreases in child mortality. The youth (15-24 years) employment-to-population ratio was estimated at seven out of ten (70%) in 2019, which is 12 percentage points higher than the Eastern Africa average.

The challenges of youth has gradually received more attention in Ethiopia. The National Youth Policy was launched in 2004. The government faced challenges to implementing it, such as weak monitoring and evaluation tools, lack of inter-sectoral cooperation, limited financial resources and the absence of a clear strategy at the different territorial levels. On the other hand, in 2018, the government launched the first youth employability service centre (YES) as a source of information for the youth who wish to migrate in search of employment and a livelihood.

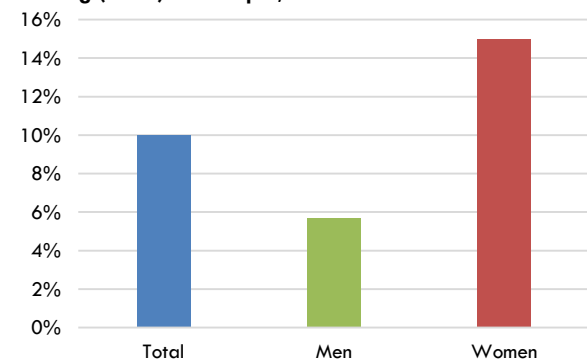
Overall, the employment of youth is strongly determined by geographical, socio-economic and gender disparities. Youth often face precarious conditions on the labour market: almost three-quarters of youth earn below the average monthly wage, while the majority of employed young people work in the informal economy or as unpaid family workers.

Particularly young people aged 15-19 have no bargaining power.

Most urban jobs for youth are in the micro- or small enterprises that do not apply the labour market regulations. Youth are often with inadequate business skills due to a dysfunctionality between the education system and the labour market.

Data represents a relatively low NEET rate (i.e. youth not in employment, education or training) in Ethiopia, but with a stark gender gap that disfavours women (Figure 9). This relatively low NEET rate is related to the quite high youth employment-to-population rate and low 'strict' youth unemployment rate. The Sustainable Development Goal target by 2020 is to substantially reduce the proportion of youth NEET (see SDG Table, Indicator 8.6.1, in Page iv). Lack of updated data on the NEET rate makes it difficult to assess if the country is directing towards the target.

Figure 9: Share of youth not in employment, education or training (NEET) in Ethiopia, 2013



Note: The share of the NEET rate as a percentage of the total youth population.

Source: [ILO, Key Indicators of the Labour Market \(KILM\)](#)

Youth unemployment is particularly an urban phenomenon in Ethiopia, and it hits women harder due to previously-mentioned cultural and gender factors. From a broader perspective, the urban youth unemployment rate (15-29 years) registered 16% of men and 26% of women, according to the NLF 2013. It is interesting to observe that the urban men's youth unemployment rate fell only slightly by 1.3 percentage points from 2009 to 2013, while it dropped significantly by 7.5 percentage points for women. It is a result of vocational training programmes offered for unemployed youth, particularly young women.

Another aspect of the high urban youth unemployment is due to the rural-urban migration of unskilled young workers as well as new graduates who are seeking job

opportunities in the urban areas. Generally, urban youth face strong disadvantages compared to adults, and a school-to-work transition that is more than twice as long as in rural areas. These circumstances reflect a duality between rural and urban areas. In rural areas, young people leave school at a very early age and start to work in subsistence agriculture, which is known for a low labour income, widespread underemployment, and limited chances to enter into the formal sector. Persons who attained non-formal education have the lowest unemployment rate at 1.6%.

The level of unemployment among higher educated young people has become a troubling issue in the country. As a result of an upsurge in economic growth, the country's youth have increasingly higher aspirations and expectations. However, an insufficient number of formal jobs are available. High living costs, pushed by relatively high inflation in consumer prices, is affecting the workers' incomes' purchasing power. Four out of five (80%) young Ethiopians who work are not making enough money. This situation creates gaps between aspirations and economic reality resulting in frustration. It foments a surge in young people choosing to take the risk of irregular international migration despite the risks.⁶¹

EDUCATION

The education system in Ethiopia has demonstrated an impressive increase in the enrolment rates on all levels during the last decade. The literacy rate increased from 30% in 2005 to 49% in 2015. Not to mention, the country has consistently been in the top-rank in Africa for the past decade in terms of the proportion of government expenditure in the education sector. For example, between 2000 and 2013, it almost doubled the share of its budget allocated to education, from 15% to 27%.

Nevertheless, the country has still among the lowest literacy rates in the world and remains far below the Less Developed Countries (LDC) average of 77%. Data from the NLFS 2013 reveals that the literacy rate is much higher in urban areas (83%) than in rural areas (52%), which reflects the weaknesses of education in rural areas. It is also interesting to observe that there has been a significant reduction of workers with less-than-basic education level with a drop of 17 percentage points from 2005, reaching 52% in 2013; it has stayed significantly higher among women, though. Two out of five (39%) have basic education, and only few have advanced education level (see more details in

Table 15). Since the country is working on liberalising the market for goods and services, it creates stiff competition for domestic firms from foreign companies, and the country needs to boost heavily on human resources.

Table 15: Employment by education in Ethiopia, % of employment distribution, 2013

	Less than basic	Basic	Intermediate	Advanced
Total	52 %	39 %	5.7 %	1.1 %
Men	42 %	47 %	6.7 %	1.6 %
Women	65 %	29 %	4.6 %	0.6 %

Note: employment by education is not summing up 100% due to minor level of not stated education level in survey data.

Source: [ILO, Key Indicators of the Labour Market \(KILM\)](#)

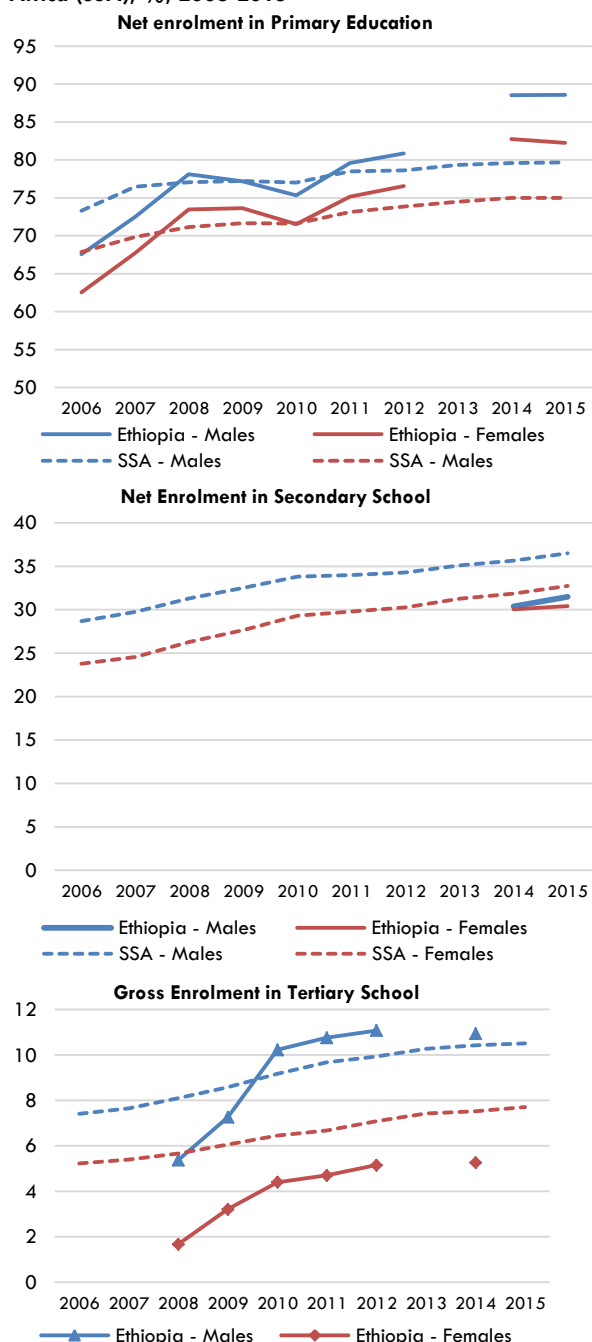
The Ethiopian education system consists of eight years of elementary education, and it is provided free of charge at public schools. Education is technically compulsory for all children until grade eight, but actual participation in elementary education is far from universal. Overall, the net enrolment in primary school rates have been on an upsurge since 2006 and hovers far above the sub-Saharan Africa averages for both boys and girls. Still, it has not reached 100%, though (Figure 10). As mentioned, especially enrolment in rural areas is still not fully covered. Achievements in elementary enrolments mask stagnation in terms of quality and learning outcomes; and even overburden the system with funding shortages. It also gives a hint of why just around one-half will pass uninterrupted to Grade 5 and only one-fifth will complete Grade 8.

The enrolment rate in secondary education is mostly a privilege for households in urban areas. These regions tend to choose to educate their children at primary level in the local language. Since the English language is prioritised from the secondary level and beyond, it becomes difficult for many of them to continue their education. Based on the limitations of data availability, net enrolment on this level is slightly lower than the regional average (Figure 10). Enrolments in rural regions accounted for only 11% in lower-secondary education and 3.6% in upper-secondary schools.⁶²

The enrolment rate in tertiary education has experienced an upsurge during the last decade: males are now hovering above the regional average while females stay below (Figure 10). The quality of education on this level is challenged by several factors: scarce funding, inadequate facilities and infrastructure, overcrowded classrooms, insufficient levels of academic preparedness among students, and a shortage of

qualified teaching staff. High unemployment among urban university graduates further poses questions about the educational curricula's match to labour market demands.

Figure 10: Enrolment in primary, secondary and tertiary education, Males and females, Ethiopia and sub-Saharan Africa (SSA), %, 2006-2015



Note: Net enrolment is the ratio of children of official school age, who are enrolled in school to the population of the corresponding official school age. Gross enrolment is the ratio of total enrolment, regardless of age, to the population of the corresponding official school age. Gross enrolment can therefore be higher than 100%, but with tertiary or university education, the age of the pupils is more diverse.

Source: [World Bank, Education Statistics](#)

Vocational Training

Vocational education and training are one of the backbones of sustainable economic development. Where more skilled workers are available, companies can be more competitive. The Technical and Vocational Education and Training (TVET) system have a long history in the Ethiopian education system. It is worthwhile to mention that the TVET system by law expressly excludes children younger than 16 attending vocational schools to avoid the prohibition on hazardous work.

According to the NLFS 2013, only 6.1% of the population aged ten years and above (8.1% of men and 4.1% of women) received training (Table 16). The proportion of trained persons in urban areas is more pronounced than those from rural areas. The highest participation in training fields are in social science (34%), natural science (11%), health science (10%), and Transport Operations (9.6%).

The TVET sector is governed at the federal and regional levels. Its quality control is provided by a federal TVET agency, which the Ministry of Education oversees. This sector delivers through formal (school-based) training as well as via non-formal (employment-oriented short-term) and informal (on the job) training. The formal vocational training system is structured in such a way that 80% of students who complete grade 10 (general secondary) are expected to join the TVET stream. The system culminated in the national TVET strategy of 2008 that promotes an outcome-based system with a particular focus on eight priority areas: agriculture, industry, economic infrastructure, health, hotel and tourism, trade, mining, and labour and social affairs. Furthermore, it has moved towards decentralisation of the system to shift from an inefficient service provider to an effective regulator, while leaving the provision of skills development services to the private sector. Moreover, the TVET system demonstrated success in the 2000s and the beginning of 2010s. For example, the number of TVET institutions reached 505 by 2010/11 from merely 17 in 1996/97. The total enrolment in vocational training grew to 393,589 in 2011/12 from about 30,000 in 1996/97. In addition, the number of teachers in secondary vocational education increased by 186% from 2005 to 2014.

National enrolment in TVET has not yet reached the above-mentioned students' level of 80%. Instead, data suggests declining enrolment of -23% from 2012 to 2017, reaching 302,083 students in 2017. Government expenditure in TVET plummeted down from 0.7% of

GDP in 2012 to 0.1% of GDP in 2015. This drop is a result of such as lack of awareness about the benefits of the system and inadequate public communication regarding the far-reaching reforms the TVET system has been undergoing over the past years. Students, parents and the broader community often appear to show less interest in TVET, which often is regarded as the last resort for those who wish to pursue a post-secondary academic path.⁶³ Other data show, though, that Ethiopia stands relatively higher on key TVET indicators in comparison to the sub-Saharan Africa average, e.g. it has a higher proportion of women vocational pupils and a higher ratio of vocational students to total secondary education, see more in Table 16.

Table 16: Status of Vocational Training in Ethiopia and sub-Saharan Africa (SSA)

Ratio of persons with Vocational/ Technical/ Professional training to population (2013)	Ethiopia	6.1 % *
Pupils in vocational training (2016/17)	Ethiopia	302,083
Pupils in vocational training growth, % (2012-2017)	Ethiopia	-23 %
	SSA **	8.6 %
Vocational pupils (% women) (2015)	Ethiopia	52 %
	SSA **	41 %
Share of all students in secondary education enrolled in vocational programmes (2012-2015, average)	Ethiopia	7.4 %
	SSA **	6.2 %

* Any short or long-term skill/ability development-training programme given in or outside classroom in theory or in practice or both, and that resulted in award of a certificate to the training.

** SSA (excluding high income countries).

Source: [World Bank, Education Statistics](#), [University World News](#), and own calculations on the vocational training growth.

It is registered that 21% of formal firms are offering training programmes for their permanent, full-time employees.⁶⁴ However, there is generally a small segment of formal firms since the urbanisation rate is low, and a large part of firms are informal micro- or small-enterprises. Likewise, few employees have permanent employment status and even fewer benefit from programmes of in-employment training provided by their employers.

A vast majority of workers in employment operate in the informal economy, and their enterprises often cannot afford to offer long-term vocational training schemes. In practice, the TVET system is, to a large degree, neglecting the training needs of the informal economy and is not geared to approach this segment's needs, such as additional demand for short-term courses. Stated differently, many offers of training are

supply-driven, not based on market assessments, and only duplicate formal sector training at deficient levels.

SOCIAL PROTECTION

The social protection system is evolving in Ethiopia as an impact of economic development, but moves ahead from a low level. It is clearly reflected by low social protection coverage: for example, only 12% of the population is covered by at least one social protection benefit and 5% of the population is with legal health protection; see more details in Table 17.

Table 17: Proportion of population covered by social protection floors/systems in Ethiopia, %, 2016

Indicators	%
Persons above retirement age receiving a pension (Contingency)	15 %
Population covered by at least one social protection benefit (Contingency)	12 %
Unemployed receiving unemployment benefits (Contingency)	0.0 %
Vulnerable persons covered by social assistance (Contingency)	8.0 %
Population with legal health protection coverage (2011)	5 %

Source: [ILO, SDG labour market indicators](#) and [ILO, Social Protection](#)

The Labour Proclamation mandates employers to provide employment-related protections. A key issue is related to the high proportion of informality in the labour market. Informal workers are not included in the formal scheme, but many are instead in community-based health insurance schemes such as *Idir* and *ikub*. Generally, the government attempts to progressively increase the health insurance service systems to increase coverage and accessibility for the formal and informal sectors.

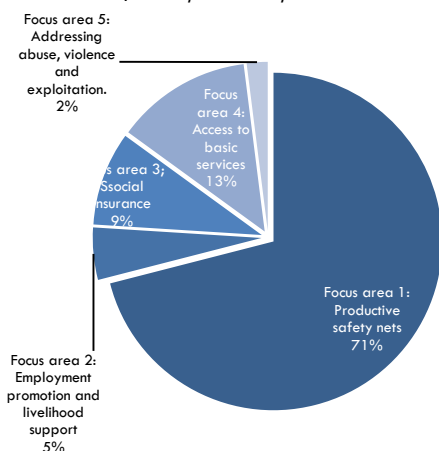
The government launched the National Social Protection Policy (NSPP) in 2014, followed by the National Social Protection Strategy (NSPS) in 2016. An action plan was launched in 2017 for the implementation of the NSPS which is related to a long-term development plan. The plan aims to cover a larger proportion of the population against a broader range of risks and applies a higher amount of domestic spending in an attempt to avoid dependence on future donor support. In 2015/16, donors financed 60% of social protection spending, the federal government 20%, regional governments 15% and contributory schemes 10%.⁶⁵ The main policy frameworks for social protection are implemented in a fragmented manner.⁶⁶

A fast-growing population along with an effort to expand the coverage of social protection and the quality of the services result in pressure to increase spending on social protection by domestic revenue. There was an upward trend in the proportion of public spending allocated to social protection from 5.4% in 2012/13 to 6.4% in 2015/16. Social protection spending accounted for 12% of public expenditure on average between 2012/13 and 2015/16. Excluding humanitarian relief, this figure falls to 4.6%.⁶⁷

As part of the structural changes in the economy and the labour market, contributions to the social insurance schemes for workers in public and private sector are snowballing. It will take some time for these programmes to spread out among the workforce due to the high-rate of informality and lack of awareness. There are no specific interventions that directly contribute to receiving unemployment benefits. These factors are challenging the country's SDG target to implement nationally appropriate social protection systems and measures for all, and by 2030 to achieve substantial coverage of the poor and the vulnerable (see also SDG Table, Indicator 1.3.1, in Page iv).

Social protection is aligned with the five focus areas of the NSPP: i) productive safety nets, ii) employment promotion and livelihood support, iii) social insurance, iv) access to basic services, and v) addressing abuse, violence and exploitation. Figure 11 below shows that the largest component of social protection spending is productive safety nets (73%) followed by access to basic services (13%); employment promotion and livelihood support is the second-lowest segment (5%).

Figure 11: Proportion of total social protection expenditure per focus area, 2012/13-2015/16



Note: The share of Focus areas 2 and 5 are based on estimations.

Source: [OECD Development, Financing Social Protection in Ethiopia: A Long-Term Perspective, Policy Papers, No. 15, February 2019](#)

Ethiopia has adopted two pension schemes which target both public and private employees. Both schemes aim to provide protection against old age, invalidity and are for widows, widowers and orphans. Around 493,000 public beneficiaries (men: 56%, women: 44%) were recorded in August 2017. The private companies employees' social security proclamation came into effect on July 2011. Prior to this date, private sector employees were not beneficiaries of a pension scheme. Following the approval of the Proclamation No. 202/2011, the Council of Ministers passed Regulation No. 202/2011 which established the Private Organisations Employees Social Security Agency (POESSA). POESSA registered 545,744 private employees (12% of employees) when it started its operation in 2011. The number of registered beneficiaries jumped to 1,645,645 (24% of employees), increasing by more than three folds in 2018. Generally, the country does not yet have statutory non-contributory social grants such as old-age pensions, child grants and disability grants.

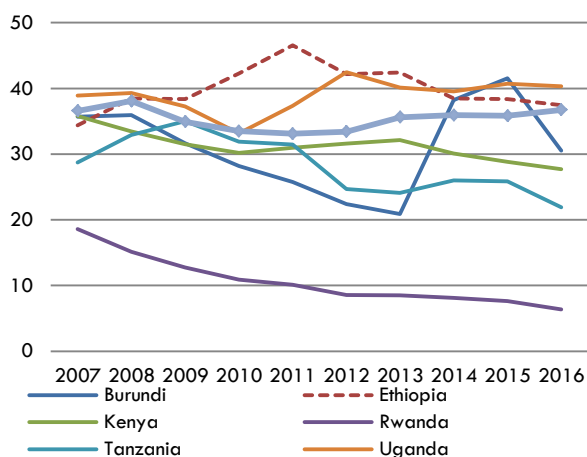
About 15% of retirees receive pension, including both public and private sector (Table 17 above). The minimum monthly pension is 744 birr (US\$31) in 2017, which is higher than wages for many workers in the country. Household workers and seasonal workers are excluded from the scheme.

Non-statutory transfers are provided by both public and private providers. The largest is the Productive Safety Net Programme (PSNP), which provides 8.3 million beneficiaries (16% of total employment) with predictable cash-transfers during lean months. Apart from government-managed social assistance programmes, numerous NGOs manage a variety of cash and commodity transfers, which are mainly financed by international donors. There is no system in place to determine the aggregate volume and coverage of transfers by NGOs. Regional Health Care Financing Strategies and Essential Health Services Packages provide fee waivers to eligible beneficiaries and free essential health services. In addition to public services, several NGOs also provide health services.

Health expenditures declined slowly in the last decade, reaching 4.0% of GDP in 2016, which is 1.2 percentage points lower than the sub-Saharan Africa average. If this calculation is folded into current health expenditure per capita, it is also much lower in Ethiopia at US\$28 versus the region's average of US\$78, respectively. Figure 12 below reveals that although out-of-pocket health expenditure was declining, it is still the

main share of private household expenditures. It remains significantly higher than most other neighbouring countries, but is now in line with the sub-Saharan Africa average.

Figure 12: Out-of-pocket expenditure (% of current health expenditure), %, 2007-2016



Note: Out of pocket expenditure is any direct outlay by households, including gratuities and in-kind payments, to health practitioners and suppliers of pharmaceuticals, therapeutic appliances, and other goods and services whose primary intent is to contribute to the restoration or enhancement of the health status of individuals or population groups. It is a part of private health expenditure.

Source: [World Bank, World Development Indicators](#)

The country has observed remarkable progress over the past two decades in reducing the HIV prevalence rate from 3.3% in 2000 to 0.9% in 2017, and AIDS-related deaths from 83,000 deaths in 2000 to 15,600 in 2017 (0.03% of total employment).⁶⁸ However, HIV infections have started to increase in the last few years. The nature of the epidemic and its fuelling factors creates a complex challenge to the ability of health and other sectors to meet the targets for HIV/AIDS control in Ethiopia. Insufficient human resources, a weak supply of management and distribution, and inadequate managerial capacity at regional and district levels are key challenges in the country's response to HIV/AIDS.⁶⁹ The government teamed up with Ethiopia's main trade union federations and employers' organisation to launch HIV/AIDS workplace policy in 2012. Employers across the nation are required to implement this HIV/AIDS policy. However, as previously mentioned, such workplace policies are not widespread. Stakeholders indicate that some discrimination against persons living with HIV/AIDS persist. Many employees choose not to reveal their HIV-status in the workplace out of fear of stigmatisation.⁷⁰

ECONOMIC PERFORMANCE

Ethiopia is a landlocked, low-income country. It experienced a long period of impressive economic growth with an average of around 10% in the period from 2004 to 2018. This growth is mainly attributed to government investment in the industrial sector, for example, the Grand Renaissance Dam and a railway network. Generally, the economy is a mixed economy in transition. The country aims to reach lower-middle income status by 2025.

The service sector has surpassed the agriculture sector as the principal source of GDP, and the industrial sector is on a rapid upsurge (revisit Figure 6). Despite impressive economic growth, the country has a GDP per capita of US\$772, ranking 204 out of 228 countries (1 is highest).

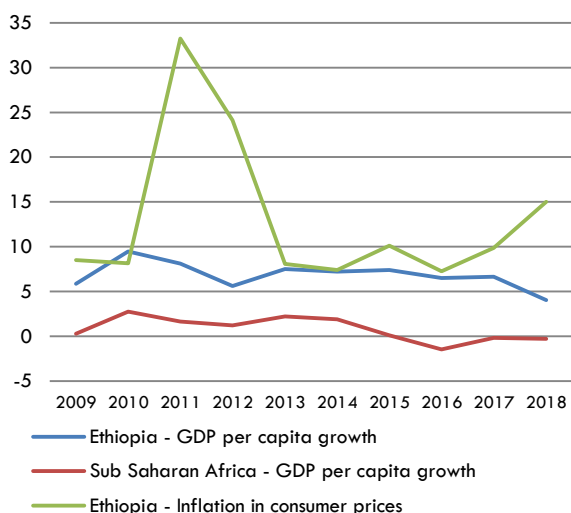
A wave of economic reforms in Ethiopia since 2018 is reshaping the nation's heavily-regulated economy. Ethiopia has loosened government control of the economy. Reforms pushed through a process of privatising many of the state-owned businesses and of moving toward a market economy. The banking, telecommunication and transportation sectors are dominated by government-owned companies. However, partial privatisation is now also on the table, which was unthinkable before (see ahead). Moreover, further reforms will initiate changes in its underdeveloped mining and oil sectors to encourage more foreign investors. It is worthwhile to mention that official development assistance to Ethiopia has declined significantly from 20% of GDP in 2007 to 3% in 2016.

Inflation in consumer prices fluctuated during the last decade with an upsurge of above 10% in recent years (see Table 18 and Figure 13). Inflation was estimated to be at 14% in 2018 as a result of devaluing the birr by 15% to increase exports and to alleviate a chronic foreign currency shortage in the country.⁷¹ It is down to 9.2% in 2019. The major determinants of the dynamics of inflation in Ethiopia are both the nature of the monetary sector and structural factors, e.g. money expansion via credit and money printing, government spending, as well as shocks in the agricultural sector. In addition, the relatively high inflation rate in consumer prices keeps the cost of living high and reduces workers' incomes' purchasing power.

Table 18: Key economic data for Ethiopia

GDP (2018)	US\$ 84.4 billion
GDP per capita (current US\$) (2018)	US\$ 772
GDP real Growth (av. 2009-2018)	9.8 %
Inflation in consumer prices (av., 2008-2017)	16 %
Tax revenue (% of GDP, av. 2008-2017)	8.3 %

Source: [World Bank, World Development Indicators](#)

Figure 13: GDP per capita growth and inflation rate, Ethiopia and sub-Saharan Africa, %, 2009-2018

Source: [World Bank, World Development Indicators](#)

The export sector's contribution to GDP peaked at 17% in 2011 but plummeted down to 8% in 2018. One reason is an underdeveloped private sector. To make Ethiopia's growth momentum more sustainable, the government is attempting to expand the role of the private sector through foreign investment and through supporting the growth of industrial parks (see more in the Export Processing Zones section).⁷²

Other indicators demonstrate how economic changes are stimulated; for example, gross fixed capital formation signals how much of the new value-added in the economy is invested rather than consumed. When the indicator's value increases, it indicates that economic activities are in progress which could support economic development and job creation. Data show that gross fixed capital formation in Ethiopia stayed at 36% on average from 2011 to 2018, and it is far above the sub-Saharan Africa average at 21%.

In 2018, the government announced that it would allow domestic and foreign investors to buy shares of central state-owned companies, which includes Ethio Telecom and Ethiopian Airlines. Other state-owned enterprises (SOEs) were put on the table, such as Ethiopian Power

and Maritime Transport and Logistics Corporation. This change in economic policy is partly aimed at boosting the country's foreign exchange reserves, which had dropped precariously low. Allowing foreign banks to participate in the Ethiopian banking sector has become a critical issue in the country. Ethiopia's banking sector has been closed to foreign investment and is still one of the most tightly state-controlled sectors in Africa. Although a couple of foreign banks already have representative offices in the country, they are not licensed to collect deposits and issue loans. This has challenged the flow of capital into the country. In practice, the finance sector has been under review since 2018. The government has now taken the first step towards liberalising the finance sector, which includes granting licences to foreign-owned companies in August 2019.⁷³

Foreign Direct Investment (FDI) is the net inflow of investment needed to acquire a lasting management interest in an enterprise, operating in an economy, other than that of the investor. In Ethiopia, the amount of FDI reached 3.0% of GDP on average from 2010 to 2017, with an especially high upsurge in recent years. The country's FDI rate stayed above the sub-Saharan Africa average at 2.3% on average. This indicator's value demonstrates international economic interest in the country which is driven by infrastructure investments to boost the export sector. The liberalisation of the finance sector could open up a new flow of foreign investment in the country.

A steady and high economic growth has trickled-down resulting in a significant poverty reduction among the population through employment in the country. According to estimations, the middle-class will increase from 2% in 2000 to a projected 22% in 2020. Similarly, the percentage of extremely working poor fell by 35 percentage points in the same period, reaching 19%. Today, close to 54% of the population in employment live below US\$3.1 per day. Around one out of four (26%) will be near-poor in 2020 and could easily fall into poverty again due to economic downturns, ill-health, environmental shocks and weak social protection coverage (see more in Table 19). The drop in the extremely working poor was initiated on a very high rate and stands in front of a rapid population growth, which also explains why the country remains one of the poorest countries in the world. Thus, the country is still challenged to eradicate extreme poverty by 2030 (see SDG table, Indicator 1.1.1, on Page iv).

Table 19: Estimation and projection of employment by economic class in Ethiopia, 2000-2020

Year	Extremely poor (<US\$1.90)	Moderately poor (>=US\$1.90 & <US\$3.10)	Near poor (>=US\$3.10 & <US\$5)	Middle class (>=US\$5)
2000	54 %	35 %	9.8 %	2.0 %
2010	34 %	40 %	21 %	5.3 %
2020	19 %	33 %	26 %	22 %

Note: Data in this table exclude the economically inactive population that cover around 20% of the population (age 15+).

Sources: [ILO, Key Indicators of the Labour Market \(KILM\)](#)

By improving the business climate, the government aims to make Ethiopia one of the top investment destinations in the world in the coming few years. So far, doing business is not easy. The country was ranked relatively low on the global Doing Business Index at 159 out of 190 countries (1 is best) in 2020, and it remains below the sub-Saharan Africa average. Out of ten doing business indicators, enforcing contracts has the highest ranking (67). Protecting minority investors (189), getting credit (176), and starting a business (168) have the lowest rankings (see more in Appendix Table 26). It is worth mentioning that this index provides a snapshot of the cost of complying with formal regulations for companies that are not small enough to loophole the law or large enough to curve it, according to media.⁷⁴

Special Economic Zones and Industrial Parks

Like many other African countries, Ethiopia has strengthened the promotion of private Special Economic Zones (SEZ) or government-led industrial parks (IP) in recent years. The country is considered one of the most active countries in pushing through a plan.

The first flagship industrial park, Hawassa, was completed in 2014. Currently, seven SEZ/IP have been inaugurated, and an additional 15 zones/parks across the country are in the pipeline. The programme was affected by serious conflict due to access to land, which escalated into civil unrest and a state of emergency in 2017.⁷⁵

The country is emerging as a textile and apparel manufacturing hub. It has not yet trickled down to national employment statistics, but as previously mentioned, FDI inflow has grown rapidly since 2014 and has stayed above 5% of GDP since 2016. As a result, the country has become the second-largest FDI destination after Vietnam.

Firms in SEZ/IP are from Bangladesh, China, Hong Kong, India, Indonesia, Spain and the United States of America. Around 80,000 jobs were created in 2018, which equalled 1.2% of employees. The three main industrial zones – Hawassa, Kombolcha and Makalle industrial parks – are expected to generate 100,000 direct jobs, while the garment sector alone is estimated to create approximately 350,000 jobs over the next few years.⁷⁶ Manufacturing represented less than 8% of total exports in 2016, but it should increase in the upcoming years due to growing international presence.

The government provides tax holidays and duty-free import of capital goods for most investment activities and a duty drawback scheme for export-oriented firms.⁷⁷ A major attraction of the industrial zones are the low costs of energy (electricity) that benefit from public investment in hydroelectric power plants. Multinational companies in Ethiopia also benefit in EPZ/IP by low labour costs: paying around US\$26-\$60 per month for factory workers as compared to US\$600 average monthly wage in China. Although labour productivity in Ethiopia is lower than in China, the wage gap is much larger than the productivity gap, which suggests that labour costs will still be lower in Ethiopia. During 2018, Ethiopian textile unions campaigned to improve wages that targeted the industrial parks set up by the government.⁷⁸

A study illustrates that SEZ/IP workers, most of them young women from poor farming families, cannot afford decent housing, food, and transportation since their salaries remains 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.⁷⁹

In the framework of the Ethiopia Jobs Compact, which is 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.⁸⁰

APPENDIX: ADDITIONAL DATA

Table 20: Status of Trade Unions Federations and Members affiliated in Ethiopia, 2018

	Total Members	Women members	Women's share	Federation's share
Federations				
The National Farm, Plantation, Fishery and Agro-Industry Trade Unions	155,232	56,207	36 %	30 %
Food, Beverage, Tobacco and Allied worker Trade Unions	64,350	26,624	41 %	12 %
The National Energy Chemical Mine Trade Unions	58,926	13,585	23 %	11 %
The Ethiopian, Textile, Leather and Garment Trade Unions	65,647	34,608	53 %	13 %
The Ethiopian, Construction, Metal, Wood, Cement and Others Trade Unions	60,748	9,937	16 %	12 %
Tourism, Hotel, and General Services Workers Trade Unions	37,424	16,315	44 %	7 %
The Ethiopian Banking and Insurance Trade Unions	26,165	11,280	43 %	5 %
Transport and Communication Workers Trade Unions	26,760	6,709	25 %	5 %
Commerce, Technique and Printing Trade Unions	22,101	8,868	40 %	4 %
Total	517,353	184,133	36 %	100 %
Ethiopian Teachers Association				
Oromia	142,581	43,232	30%	36%
Amhara	117,709	43,964	37%	29%
SNNPR	66,549	21,502	32%	17%
Tigray	28,158	10,791	38%	7.0%
Addis Ababa	12,615	3,115	25%	3.1%
B.Gumuz	5,012	1,297	26%	1.2%
Gambella	2,920	649	22%	0.7%
Afar	2,976	715	24%	0.7%
Harari	1,692	714	42%	0.4%
Somali	15,404	2,653	17%	3.8%
Dire Dawa	1,700	600	35%	0.4%
Universities	3,710	-	-	0.9%
Total	401,026 *	129,232 *	33 %	100 %

* ETA associations membership is not fully updated in comparison with the ETA's aggregate register applied in page 3.

Sources: DTDA, LMP Data Collection Template: Ethiopia and [ETA, Members Associations](#)

Table 21: Registered Collective Bargaining Agreements (CBAs) in nine Trade Union Federations in Ethiopia, 2011

Federation	Number of unions	Number of unions with CBA	Ratio of unions with CBA to number of federation's trade union numbers	Ratio of number unions with CBA to total CBAs
The National Farm, Plantation, Fishery and Agro-Industry Trade Unions	161	86	53%	17%
Food, Beverage, Tobacco and Allied worker Trade Unions	58	43	74%	8%
The National Energy Chemical Mine Trade Unions	52	50	96%	10%
The Ethiopian, Textile ,Leather and Garment Trade Unions	54	48	89%	9%
The Ethiopian, Construction, Metal, Wood, Cement and Others Trade Unions	84	75	89%	15%
Tourism, Hotel, and General Services Workers Trade Unions	183	137	75%	27%
The Ethiopian Banking and Insurance Trade Unions	7	6	86%	1%
Transport and Communication Workers Trade Unions	30	25	83%	5%
Commerce, Technique and Printing Trade Unions	45	37	82%	7%
Total	674	507	75%	100%

Source: CETU

Table 22: Labour market related national legislations approved in Ethiopia, 2014-2019 (May)

Type / Year	Legislation
2014	
Employment policy, promotion of employment and employment services	International Development Association Financing the Competitiveness and Job Creation Project Ratification Proclamation No. 853/2014.
Education, vocational guidance and training	Higher Education (Amendment) Proclamation No. 861/2014.
2015	
General provisions & Elimination of forced labour	Prevention and Suppression of Trafficking in Persons and Smuggling of Migrants Proclamation No. 909/2015.
Education, vocational guidance and training	Ethiopian Construction Design and Supervision Works Corporation Establishment, Council of Ministers Regulation No.365/2015.
Social security (general standards)	Public Servants' Pension (Amendment) Proclamation No.907/2015.
	Private Organization Employees' Pension (Amendment) Proclamation No. 908/2015.
Specific categories of workers	Ethiopian Agricultural Businesses Corporation Establishment Council of Ministers Regulation No. 368/2015.
	Ethiopian Construction Works Corporation Establishment Council of Ministers Regulation No. 366/2015.
	Ethiopian Mineral, Petroleum and Bio-fuel Corporation Establishment Council of Ministers Regulations No. 367/2015.
	Ethiopian Construction Design and Supervision Works Corporation Establishment, Council of Ministers Regulation No.365/2015.
	Public Servants' Pension (Amendment) Proclamation No.907/2015.
International agreements	Convention entre le Gouvernement de la République algérienne démocratique et populaire et le Gouvernement de la République fédérale démocratique d'Ethiopie dans le domaine de la formation professionnelle et technique, signée à Alger le 15 mars 2015.
2016	
General provisions	Computer Crime Proclamation No. 958/2016.
Employment policy, promotion of employment and employment services	Federal Urban Job Creation and Food Security Agency Establishment Council of Ministers Regulation No. 374/2016.
Education, vocational guidance and training	Agreement between the Government of the Federal Democratic Republic of Ethiopia and the Government of the People's Democratic Republic of Algeria in the field of Technical and Vocational Education and Training Ratification Proclamation No. 962/2016.
Education, vocational guidance and training	Technical and Vocational Education and Training Proclamation No. 954/2016.
Migrant workers	Ethiopia's Overseas Employment Proclamation No. 923/2016.
Specific categories of workers	Geothermal Resources Development Proclamation No. 981/2016.
International agreements	Eastern and Southern Africa Higher Education Center of Excellence Project Ratification Proclamation No. 975/2016.
2017	
None	None
2018	
None	None

Source: [ILO, NATLEX, Country Profile Ethiopia, Basic Laws](#)

Table 23: Central laws to the labour market conditions in Ethiopia

Laws	Issues
Labour Proclamation No. 1156/2019	The law outlines the obligations of the employer under the existing law, such as providing work to the employee, paying wages, respecting the dignity of the employee, etc.
Occupational Safety and Health Directives of 2008	The directive, which is issued in terms of the Labour Proclamation, regulated occupational health and safety in Ethiopia. It deals with obligations of an employer and a worker; safety of workers & defines the duties of stakeholders and safety measures to be taken at workplace.
Public Servants' Pension Proclamation No. 714/2011	The public servants pension proclamation provides retirement benefits, invalidity benefits, incapacity benefits and reimbursement of contribution to an employee. Also it regulates matters concerning employment pension and gratuity, mode of payment of pension, survivor's pension and gratitude and assessment of employment injury.
Public Servants Social Security Agency Establishment Regulation No. 203/2011	The Public Servants Social Security Agency is established by the Council of Ministers to administer Public Servants' Pension scheme of all federal and regional public servants including pension of the defense forces and the police. Additionally, collecting pension contribution, making pension payments and quickly responding to the complaints and requests of beneficiaries and the respective government organs and legally empowered to make an administrative decision within their scope.
Private Organization Employees' Pension Proclamation No. 715/2011 Federal prosecutor Administration Regulations No. 44/1997	This Proclamation provides retirement benefits, invalidity benefits, incapacity benefits and reimbursement of contribution to an employee. Also it regulates matters concerning employment pension and gratuity, mode and period of payment of pension, survivor's pension and gratuity and assessment of employment injury. The Regulation, issued in accordance with Proclamation NoA/1995 and Attorneys' Proclamation No. 74/1993, deals with the Selection, employment and appointment of prosecutors; accountability of prosecutors; salary; transfer; medical benefits and damages; procedure of complaints by aggrieved prosecutor; investigation and decision making procedure; retirement, disciplinary measures and appeal procedure.
Civil Code Proclamation, No. 165/1960	The Civil Code of Ethiopia is in use to adjudicate matters regarding managerial employees, and it incorporates provisions regarding contract of employment, safety precautions and remedies for occupational injuries. As far as the right to strike has concerned, article 2581 of the code states that "the participation of the employee in a strike shall constitute for the employer good cause for cancellation where the strike has been instigated with the sole purpose of injuring the employer or has been declared unlawful by law or the public authorities". Even though, it tightens the right to strike and makes any act of strike to be susceptible for termination, it seemed indirectly recognising the right to strike.
Employment Exchange Services Proclamation No. 632/2009	This Proclamation safeguards the rights, safety and dignity of Ethiopian nationals seeking employment overseas. This Act defines public employment service as the service of issuance of license to private employment agencies, monitoring and supervision of such agencies and the issuance of work permit by MoLSA to citizens to work abroad, and includes other services provided in the Proclamation. It requires the employer to pay for insurance coverage via the concerned private employment agency. Currently, this is the only legislation that requires a worker to be covered by life and disability insurance, but it only deals with workers deployed abroad. The law holds provisions regarding dispute settlement and obligations of contracting parties.
Overseas Employment Proclamation No. 923/2016-17	Following the ratification of the Private Employment Agencies Convention No. 181, Ethiopia issued its Private Employment Agency Proclamation No. 104/1998, based on the principles laid down in this convention. Proclamation No. 104/1998 was replaced by the Employment Exchange Services Proclamation No. 632/2009, which was also later replaced by the Overseas Employment Proclamation No. 923/2016
Employees Administration Regulation No. 10/2019	Lack info on English.
Management and Administration of Schools Proclamation, No. 260/1984	Proclamation No. 260/1984 and the regulations issued by the Ministry of Education for the employees of public schools, as amended by Proclamation No. 217/2000.
Social Health Insurance Proclamation No. 90/2010	Social Health Insurance Proclamation from 2010 outlines the medical care and sickness benefit.

Source: Ibrahim Worqu, *Template for collection of Data and Information for Development of Labour Market Profile, Ethiopia, 2019*; [ILO, Public Employment Services Provision and Labour Market Information Collection and Utilization, Ethiopia, 2018](#); and [ILO, National Labour Law Profile: Federal Democratic Republic of Ethiopia](#)

Table 24: Labour Proclamation (No. 1156/2019): Highlights of Key Changes

Themes	Changes
More obligations to Employers.	The bill keeps the obligations of the employer to providing work to the employee, paying wages, respecting the dignity of the employee, among others. New aspects are that the employer is obligated to: i) deduct union dues from the employee's regular wage, and transfer the cash into the trade union's bank account, if so requested by the employee; ii) raise awareness of employees on work rules of the organization; iii) register information on workplace location and work-related data and transfer to MoLSA
New Rules on Minimum Wage	The bill sets the concept of 'minimum wage' without fixing the amount. However, the minimum wage board will be established and modality for setting minimum wages to be developed.
Increased Minimum Working Age	The bill raises the minimum working age from fourteen years of age to fifteen while maintaining the list of tasks and conditions permitted to young workers.
Added Employee Benefits	The bill extends existing maternity leave from 90 consecutive days to 120 working days. The 30 working days are granted prior to the mother giving birth and 90 working days after delivery. Furthermore, the law introduces, for the first time, paternity leave of three consecutive days for men employees. This is less generous from the 5 working days paternity leave that is granted to civil servants under the Civil Service law.
Amendment to Annual Leave Entitlements	The bill increases employees' annual leave days from 14 working days on the first year of service to 16 working days. An additional one leave day will be granted for every two years of services as opposed to every year of services as it was currently provided.
Extended Probation Period	The bill doubled probation period from 45 consecutive days to 60 working days. A probation period gives an employer the opportunity to test the suitability of the employee for the position.
Vicarious Liability for Employers	The bill holds the employer liable if unlawful acts – including discrimination of employees based on ethnicity, sex, religion, political outlook, HIV/ AIDS or disability, among others – prohibited by law are committed by any of its management employees.
Employee Liability	The bill expands the list of unlawful acts by employees to include: i) making use of falsified document or an attempt thereof; ii) conducting meetings during working hours in disregard to the time assigned by the collective agreement or without obtaining the permission of the employer; iii) commit sexual harassment or sexual violence at workplace; and iv) physically abusing anyone in a work place.
New Rules on Sexual Harassment and Sexual Violence	The bill introduced a new system to regulate workplace sexual harassment and sexual violence.
Grounds for Termination of Contracts	The bill allows employers' ability to terminate contract of employments only to specific conditions provided by law. Some adjustments are the maximum number of days that employees may be late or absent from work that could will lead to termination of contracts without notice. Furthermore, employers will be able to terminate contracts of employment with prior notice, if there is a registered loss of capacity or skills on the part of the employees.
Redundancy	The bill adds those employees with disability (regardless of how the disability was acquired) not be subject to reduction prior to others.
Administrative penalties	The bill increases the administrative penalties to be imposed on employers violating the rules of the Labour Proclamation.

Source: [ALN, News: Ethiopia - New Labour Proclamation: Highlights of Key Changes, 2019](#)

Table 25: 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	1963
	C098 - Right to Organise and Collective Bargaining Convention, 1949	1963
Elimination of all forms of forced labour	C029 - Forced Labour Convention, 1930	2003
	C105 - Abolition of Forced Labour Convention, 1957	1999
Effective abolition of child labour	C138 - Minimum Age Convention, 1973	1999
	C182 - Worst Forms of Child Labour Convention, 1999	2003
Elimination of discrimination in employment	C100 - Equal Remuneration Convention, 1951	1999
	C111 - Discrimination (Employment and Occupation) Convention, 1958	1966
Governance Conventions		
Labour inspection	C081 - Labour Inspection Convention, 1947	Not ratified
	C129 - Labour Inspection (Agriculture) Convention, 1969	Not ratified
Employment policy	C122 - Employment Policy Convention, 1964	Not ratified
Tripartism	C144 - Tripartite Consultation (International Labour Standards) Convention, 1976	2011
Up-to-date Conventions		
Working time	C014 - Weekly Rest (Industry) Convention, 1921	1991
	C106 - Weekly Rest (Commerce and Offices) Convention, 1957	1991
Occupational Safety and Health	C155 - Occupational Safety and Health Convention, 1981	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	1991
	C181 - Private Employment Agencies Convention, 1997	1999
Seafarers	MLC, 2006 - Maritime Labour Convention, 2006	2019 *

Note: Fundamental Conventions are the eight most important ILO conventions that cover four fundamental principles and rights at work. Equivalent to basic human 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. In other words, conventions that promote a well-regulated and well-functioning labour market. In addition, there are 83 conventions, which ILO considers "up-to-date" and actively promotes.

* Not in force; the Convention will enter into force for Ethiopia on March 28, 2020.

Source: [ILO, NORMLEX, Ethiopia](#)

Table 26: Ease of Doing Business Ranking and changes in Ethiopia, 2019-2020

Topics	2019	2020	Changes
Overall	159	159	0
Starting a Business	167	168	-1
Dealing with Construction Permits	168	142	+26
Getting Electricity	131	137	-6
Registering Property	144	142	+2
Getting Credit	175	176	-1
Protecting Minority Investors	178	189	-11
Paying Taxes	130	132	-2
Trading Across Borders	154	156	-2
Enforcing Contracts	60	67	-7
Resolving Insolvency	148	149	-1

Note: Doing Business 2019-2020 indicators are ranking from 1 (best) to 190 (worst) 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, Ease of Doing Business 2020 in Ethiopia](#)

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