

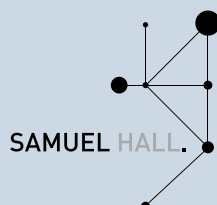


International
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Organization

PROSPECTS



► Rapid integrated labour market assessment in Tigray regional state



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- ▶ **Rapid integrated labour market assessment in Tigray regional state**

► Contents

Figures	iii
Abbreviations	iii
Glossary	iv
Acknowledgements	v
Executive summary	vi
Chapter 1: Introduction	1
National context	3
Tigray region: Shire area	5
Chapter 2: Survey methodology	8
Chapter 3: Demand side	12
Companies' profile	12
Doing business in the Shire area	15
A sectoral focus: analysing sesame production and mining in Tigray	26
Emerging sectors for business development and job creation	30
Chapter 4: Supply side	34
Accessing the job market	35
The intersection of migratory status, age, gender and education	39
Looking for a job in the Shire area	44
Individuals' aspirations	45
Chapter 5: Labour market institutions	48
Employment service providers	48
TVET institutions and NGO trainings	51
Collective organizations	54
Chapter 6: Situation and perception of refugees	56
Regulations affecting refugees in Tigray	56
Relationships between refugees and host communities	58
Progress towards greater socio-economic inclusion	59
Chapter 7: Conclusion	61
Chapter 8: Recommendations	63
Durable socio-economic integration of host and refugee communities in Shire	63
Bibliography	68

► Figures

Figure 1. Refugee camps in Shire, Tigray region	2
Figure 2. Changes to recruitment plans by economic sector	14
Figure 3. Reasons for not applying to a loan	17
Figure 4. Keeping business records and profitability	17
Figure 5. Benefits of formalization for registered and unregistered businesses	21
Figure 6. Percentage of enterprises that find it hard to recruit for each location	23
Figure 7. Types of support services received	25
Figure 8. Economic activity status of different age groups within refugee communities	36
Figure 9. Employment service providers	50

► Abbreviations

ARRA	Administration for Refugee and Returnee Affairs	MFI	Microfinance Institution
CA	Capacity Assessment	MoLSA	Ministry of Labour and Social Affairs
COVID-19	Coronavirus Disease 2019	NGO	Non-Governmental Organization
ETB	Ethiopian Birr	PSNP	Productive Safety Net Programme
FGD	Focus Group Discussions	ROSCA	Rotating Savings and Credit Association
GDP	Gross Domestic Product	SACCO	Savings and Credit Cooperative
GTP	Growth Transformation Plan	TVET	Technical and Vocational Education and Training
HR	Human Resources	UEUS	Urban Employment/Unemployment Survey
IAIP	Integrated Agro-Industrial Park	UNICEF	United Nations Children's Fund
IDP	Internally Displaced Person	VTC	Vocational Training Centre
ILO	International Labour Organization	WHO	World Health Organization
KII	Key Informant Interviews		
MF4DW	Microfinance for Decent Work		

► Glossary

Decent Work: “Decent work sums up the aspirations of people in their working lives. It involves opportunities for work that are productive and delivers a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom for people to express their concerns, organize and participate in the decisions that affect their lives and equality of opportunity and treatment for all women and men.”¹

Employment: According to the ILO, persons in employment or the employed population comprise all those of working age (15 and beyond) who, in a short reference period, were engaged in any activity to produce goods or provide services for pay or profit. Participation in the following activities can be measured separately: own-use production work, volunteer work, and unpaid trainee work.²

Host Community: According to the UNHCR, “a host community refers to the country of asylum and the local, regional and national governmental, social and economic structures within which refugees live. Urban refugees live within host communities with or without legal status and recognition by the host community. In the context of refugee camps, the host community may encompass the camp, or may simply neighbour the camp but interact with, or otherwise be impacted by, the refugees residing in the camp.”³

Informal Economy: ILO Recommendation 204 on the Transition from the Informal to the Formal Economy defines the “informal economy” as such: “refers to all economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements; and does not cover illicit activities, in particular the provision of services or the production, sale, possession or use of goods forbidden by law, including the illicit production and trafficking of drugs, the illicit manufacturing of and trafficking in firearms, trafficking in persons, and money laundering, as defined in the relevant international treaties.”⁴

Labour Market: The supply and demand for labour from employees and employers, as well as the social and economic context and ecosystem that frames and influences this supply and demand.

Livelihood: “The capabilities, assets and activities required for a means of living. A sustainable livelihood allows to cope with and to recover from stress and shocks, to maintain and enhance its capabilities and assets to provide sustainable livelihood opportunities for the next generation.”⁵

Protracted refugee situation: Situations where refugees: “have lived in exile for more than five years, and when they still have no immediate prospect of finding a durable solution to their plight by means of voluntary repatriation, local integration, or resettlement”.⁶

Refugees: Refugees include all persons who are outside their country of origin or habitual residence owing to a well-founded fear of being persecuted for reasons of race, religion, nationality, membership of a particular social group or political opinion, as a result of such events, is unable, or owing to such fear, is unwilling to return to it.

Self-reliance: “The social and economic ability of an individual, a household or a community to meet essential needs (including protection, food, water, shelter, personal safety, health and education) in a sustainable manner and with dignity. Self-reliance, as a programme approach, refers to developing and strengthening livelihoods of persons.”⁷

1 ILO, “Decent work”, 2020, <https://www.ilo.org/global/topics/decent-work/lang--en/index.htm>.

2 ILO, “Resolution concerning statistics of work, employment and labour underutilization”, 2013.

3 UNHCR Resettlement Service, “UNHCR-NGO Toolkit for Practical Cooperation on Resettlement. Community Outreach – Outreach to Host Communities: Definitions and FAQs”, 2011.

4 ILO, “Transition from the informal to the formal economy recommendation”, Workers’ Guide (Geneva, Switzerland, 2017).

5 Robert Chambers and Gordon Conway, Sustainable Rural Livelihoods: Practical Concepts for the 21st Century, DP 296 (Brighton, England: Institute of Development Studies, 1992).

6 Jeff Crisp, “No Solutions in Sight: The Problem of Protracted Refugee Situations in Africa”, CCIS Working Paper No. 75 (UNHCR Evaluation and Policy Analysis Unit, 2002), 68.

7 UNHCR, Handbook for Self-Reliance (Geneva, Switzerland, 2005), 1.

► Acknowledgements

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This assessment was undertaken in the second half of 2020, prior to the start of the conflict in the Tigray Region. Therefore, significant socio-economic changes on the ground are expected between the time of the assessment and the date of this publication. Similarly, governmental and public institutions referred to in this report reflect the names and status used in 2020, prior to the governance restructuring exercised by the new Ethiopian Government in October 2021.

► Executive summary

While Ethiopia has achieved high levels of annual GDP growth in the past decade and considerably reduced poverty, labour markets at the regional level continue to suffer from internal dysfunction and, more recently, from political uncertainty. Labour market constraints can have detrimental effects in refugee-hosting regions such as Tigray, which is home to 95,929 primarily Eritrean refugees, who share the same cultural background as host communities in the region.⁸ However, despite this potential for integration, the strict encampment policy and legal framework has prevented refugees from engaging in the formal economy, thereby hindering their integration process. Without a successful enforcement of Ethiopia's policy reforms, Eritrean refugees remain "in limbo" as they are unable to return to their home country, do not have the resources to migrate further and do not have the appropriate legal and socio-economic conditions to integrate locally.⁹ Ethiopia's ongoing implementation of the refugee policy reform and Tigray's potential for informal integration provide momentum for improved economic opportunities for refugee and host communities.

At the same time, Ethiopia's unprecedented economic growth has not necessarily led to increased political stability and cohesion across regions. The country's economic development has not created enough jobs to respond to the youth bulge, leading to frustrations among recent graduates and young jobseekers. Furthermore, the political tensions between the Tigray regional state and the Federal Government of Ethiopia, which burst into an overt and violent confrontation in September 2020, are now forcing Tigrayans to find refuge in other regions or flee to neighbouring Sudan.¹⁰

The International Labour Organization (ILO) commissioned Samuel Hall in early 2020 to provide a rapid integrated labour market assessment of the supply side (jobseekers and employees) and the demand side (enterprises and employers) in refugee-hosting communities in the Shire area in Tigray. The key components of this study are:

1	2	3
Rapid assessment in three refugee camps (Shimelba, Mai Aini and Adi Harush) and two surrounding host communities (May Tsebri and Shire)	Evidence on labour market dynamics and opportunities through an examination of labour supply and demand, and labour market institutions	Development of policy orientation for immediate and post-crisis response through a durable socioeconomic integration perspective

Methodology: A mixed-method approach was used, starting with an extensive desk review to ensure the relevance of the present assessment and its added value to existing research on market dynamics in the region and followed by a phased fieldwork. Primary data collection in August 2020 included 671 quantitative surveys with employers (232) and individuals (439), 26 key informant interviews, 10 focus group discussions, 4 enterprise case studies (hospitality sector, oilseed and sesame production, mining, taxi services), 4 institutional capacity assessments (Construction company, Administration for Refugee & Returnee Affairs in Shimelba, Labour and Social Affairs Bureau in May Tsebri, SME Bureau in May Tsebri).

8 Varalakshmi Vemuru, Aditya Sarkar and Andrea Fitri Woodhouse, "Impact of Refugees on Hosting Communities in Ethiopia: A Social Analysis" (Washington, D.C.: World Bank, 2020), <https://openknowledge.worldbank.org/handle/10986/34267>.

9 Samuel Hall, "Living Out of Camp: Alternative to Camp-Based Assistance for Eritrean Refugees in Ethiopia".

10 Jason Burke, "Ethiopian Government Moves to Replace Leadership of Tigray Region", The Guardian, 7 November 2020.

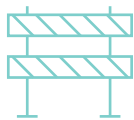
Ongoing conflict in Tigray and its implications. As primary data was collected before the start of the conflict between the Tigray regional state and the Federal Government of Ethiopia, the results do not reflect the current realities. However, this integrated labour market assessment gives indications on the social dynamics between refugees and host communities as well as the resilience capacities and socio-economic inequalities of disadvantaged groups, including women and refugees, in the Shire area. The recommendations offer broader durable solutions to respond to crises such as the ongoing COVID-19 pandemic and the recent political conflict, and to build resilience for a post-conflict and post-pandemic context.

► Key findings

Labour underutilization with **40% youth unemployment among refugees** and salaries below a living wage



Labour market institutions show weak capacity and their ability to align supply and demand is limited



Intersectional social barriers prevent women, refugees and youth from fully accessing education and labour markets, making them less resilient to external shocks



Lack of access to capital is the main barrier to business development (68%), especially for refugees who are prohibited from accessing formal finance

Expectation misalignment of labour and supply side expectation: youth aspire to own business or work for the government as the last resort for decent income



Refugees and women tend to own unregistered businesses (53% vs. 8% for hosts, 29% vs. 15% for men). They require strong government support to grow their business in a levelled playing field



Supply side

Labour supply does not effectively meet demand in the Shire area owing to access barriers for certain groups, unfavourable labour conditions and the limited ability of labour market institutions to coordinate the needs of the market. The study identified the following key determinants of the labour supply:

1. There is a high youth unemployment rates (18 per cent), particularly among refugees (40 per cent) and a clear labour underutilization. Workers tend to refuse to take on jobs as salaries are often below the living wage. This translates into two phenomena that reinforce each other: high informality and the tendency to take on irregular/temporary jobs to make ends meet.
2. Women are less resilient to economic crises owing to the labour market constraints they face, which are inherently connected to gender norms. They are more likely to work in precarious jobs, are over-represented in the informal sector (54 per cent versus 48 per cent for men) and less likely to have permanent employment (29 per cent versus 38 per cent for men).
3. Intersectionality: Certain social groups such as women, youth, and refugees are often prevented from fully accessing education and labour market opportunities owing to social barriers, including patriarchal gender expectations and stereotypes. Refugees are often only able to undertake vocational training provided by NGOs and are denied access to higher education. At the same time, host community members regard refugees as “naturally better fitted” for positions in the hospitality sector, which Ethiopians are reluctant to fill due to sociocultural norms.

4. Looking for a job: While the main challenges for finding a job have shown to be limited supply and low wages, respondents, particularly refugees, emphasized a lack of information on vacancies with mainly informal channels used, as well as widespread co-option and insufficient transparency in hiring practices.
5. The respective expectations of labour supply and demand are not aligned. While businesses are unable to find workers, particularly in the agricultural sector, youth aspire to start their own business or get government jobs, as these are often perceived as the only options for a decent or reliable income
6. Aspirations of the youth and refugees. While it is often assumed that high youth unemployment and unfavourable conditions in the labour market for youth are triggering migration to other parts of the country and abroad, the data did not comprehensively confirm this hypothesis.

Impact of COVID-19 on individuals. The data does not indicate a significant impact on employment, but individuals' income has decreased, with refugees and informal workers hit the hardest. Women are over-represented in the informal sector and therefore had a slightly higher proportion of a decreased income than men. Furthermore, reduced demand for labour and closure of educational institutions are worsening the livelihood situation of youth disproportionately.

Demand side

The bottlenecks that employers in the Shire area face to grow and sustain their business can be clustered into different categories, such as access to finance, recruitment capacities and registration status. Their effects on business growth tend to vary depending on the business owner's demographic characteristics (for instance, gender, age, migratory background) as well as the economic sector in which the business operates. The following key messages can be drawn from the demand-side assessment:

Host enterprises and refugee enterprises do not always face the same impediments to business growth and, when they do, these do not play out in similar proportions.

1. Overall, the main barrier to business growth is the lack of access to capital (68 per cent of respondents). Yet, refugee enterprises are more affected than their host counterparts owing to the stringent restrictions that prevent them from accessing formal finance. No refugee enterprise reported financing their daily operations through financial institutions nor taking out a loan.
2. Respectively 72 per cent and 67 per cent of enterprises operating in Shimelba and Mai Aini-Adi Harush refugee camps claimed that the lack of demand for certain products was another major impediment to business development, compared with only 20 per cent in Shire, as host communities benefit from a larger, although volatile, consumer base made up of hosts and refugees.
3. Women and refugees are less likely to register their business than men and host community members respectively, and misconceptions on the benefits of registration are still widespread, calling for the need to increase awareness-raising on this matter.
4. While only 19 per cent of host enterprises resort to formal job announcements to recruit new employees, they are still more likely to do so than refugee enterprises that favour their personal network. At the same time, host enterprises use more objective recruitment criteria, such as work experience, making it more difficult for them to find new employees.

Lifting the barriers to business creation and growth requires strong government support. Support measures should be tailored to the needs of vulnerable groups – women and refugees – who are more likely to own unregistered businesses, face more substantial barriers to business development and tend to benefit less from existing support services. There is a mismatch between the type of support enterprises need (that is, access to capital and skills) and the type of support they receive (technical support and mentoring).

Impact of COVID-19 on enterprises. Most enterprises experienced reduced profitability. Informal enterprises appear to be more vulnerable as they have a significantly lower propensity than registered enterprises to sustain themselves in the long run if the current situation is prolonged. With women and refugee enterprises operating predominantly in the informal sector, the crisis renders already disadvantaged groups more economically vulnerable and undermines their resilience. As Tigray enters its post-pandemic phase, more attention should be placed on promising sectors with high potential for growth and job creation.

Labour market institutions are the actors in charge of shaping the way the supply side and the demand side interact with each other, as well as making sure the labour market functions properly, in the interest of all stakeholders. The collected data revealed the following three major constraints in institutions' ability to contribute effectively to the functioning of the local labour market:

1. In general, key actors involved in the labour market showed poor knowledge of the Tigrayan labour market, which severely hinders them and undermines their credibility in the eyes of other labour market actors. The contribution of employment service providers, TVET institutions, NGOs and collective organizations appears to be timid, if not simply unsuited to the local context.
2. Need for stronger institutions: Labour market institutions showed weak institutional capacity preventing them from doing their job correctly. Mandate overlaps, lack of relevant information and lack of coordination are some of the shortcomings that characterize public employment service providers.
3. Skills mismatch: While TVET institutions are regarded as the go-to institution for jobseekers, they crucially lack training and capacity-building to fulfil their primary mission of bridging the gap between labour supply and demand. There are no sufficient links between the skills provided and the local labour market demand.

► Conclusion and recommendations

Durable socio-economic integration of host and refugee communities in the Shire area

The study offers a deep dive into the labour dynamics in the Shire area, with a strong focus on the existing bottlenecks that hinder the region's growth. Examining the relationship between supply and demand, as well as how labour market institutions function at a regional level, provides a more contextualized snapshot that nuances national-level socio-economic indicators. The report offers practical recommendations that can be implemented to better regulate the Tigrayan labour market and enable the region to reap the benefits generated by Ethiopia's developing economy.

Economic development and job creation

1. Transform the agricultural sector into a high-growth potential industry by diversifying rural activities and creating further linkages with the manufacturing sector – this is crucial in the aftermath of the COVID-19 crisis and as the Tigray region enters its recovery phase.
2. Extend Labour-Intensive Public Works interventions to provide a living wage to vulnerable populations within the host and refugee communities while developing local infrastructure.
3. Promote the industrial and manufacturing sectors to create employment and contribute to Ethiopia's economic development.

Business development services and financial intermediation

4. Expand the provision of inclusive and tailored business development services to reach refugees, informal enterprises, and women-owned enterprises, which suffer from weak growth capacities. This could include the provision of management skills to enhance employment creation and value-added activities.
5. Support inclusive financial solutions to overcome growth barriers, particular for informal enterprises, women- and refugee-owned that are often excluded from formal financial institutions.
6. Promoting the formalization of businesses cannot rely on a one-size-fits-all approach: a rigorous diagnosis of root causes of informality should be carried out and subsequently informs the design of measures.

Social dialogue and social protection

7. Provide social protection and support to refugee and host communities equitably. To avoid questions of scapegoating and the emergence of social tensions during times of crisis, equal support must be provided to vulnerable groups in both communities.
8. Supporting the ILO Decent Work Agenda with a specific focus on the introduction of a minimum wage. As there is currently no minimum wage in Ethiopia, the ILO and its partners could support the Federal Government of Ethiopia in preparing this legal reform.
9. Institutional support for effective implementation of the Comprehensive Refugee Response Framework at the local level.

Education, training, and capacity development

10. Provide access to education for refugees beyond vocational training.
11. Investments should be made in building the capacity of TVET institutions: they should centralize timely and contextual information about the labour market while being effectively trained to provide quality services that are adapted to the needs of jobseekers and employers.

Gender equality

12. Enhance women's participation in the local economy. The ILO could support and work with local women's groups and civil society organizations on contextualized programmes aimed at enhancing women's status and entrepreneur role in the economy.
13. Introduce gender equality policies. The Federal Government of Ethiopia should work towards increased participation of women in higher education and policies that promote gender equality beyond political spheres to increase women's participation in the private sector.
14. Support the implementation of inclusive gender equality programmes and policies to increase women's participation in political, social and economic spheres that consider intersectional categories.

Labour market information

15. Support MoLSA in establishing accelerators and innovative labs at the woreda level, aimed at offering enterprises a platform where they can exchange ideas and challenges.
16. Support BoLSA in the creation of effective employment services and job placement centres.
17. Develop a comprehensive and accessible Labour Market Information System.



1

Introduction

Ethiopia has been hosting large numbers of refugees for decades. While its strict encampment policy has kept refugees from participating fully in the economic and social life, the Federal Government of Ethiopia is reforming its refugee policy approach and signed the Comprehensive Refugee Response Framework (CRRF) to enhance refugees' self-reliance.¹¹ The country remains one of the largest refugee hosting countries in Africa, sheltering 792,030 registered refugees and asylum seekers across its nine national regional states.¹² Refugees are mainly South Sudanese (362,787), Somali (201,465) and Eritrean (178,315).¹³ While an Out-of-Camp Policy was adopted in 2010, which in theory allows refugees to live in urban areas, refugees need to prove they are financially self-reliant or can be supported by someone to benefit from this policy. In addition, the new Refugee Proclamation adopted in January 2019 is also expected to grant refugees economic as well as social rights, such as the right to legally register life events. If applied in a timely manner, these provisions should facilitate refugees' integration in Ethiopia and help them move beyond dependency on humanitarian assistance.¹⁴ The following years will show whether the policy reform efforts and Ethiopia's overall welcoming attitude toward refugees will translate to into real changes for the growing refugee population.

The refugee population in the Tigray regional state is almost exclusively composed of Eritreans fleeing hardships and oppression. Since the Ethiopian-Eritrean war in 1998–2000, mostly young male Eritreans started to arrive in Ethiopia to escape unlimited military conscription and the oppressive state.¹⁵ Tensions between Ethiopia and Eritrea were still visible until July 2018 when Eritrean's President Isaias Afwerki and Ethiopia's Prime Minister Abiy Ahmed signed a Joint Declaration of Peace, but the deal is yet to show tangible outcomes for both Eritreans and Ethiopians living in the borderlands.¹⁶ While the first Eritrean

11 UNHCR, "CRRF Ethiopia", Briefing Note, 2018.

12 UNHCR, "Ethiopia Fact Sheet September 2020", 2020.

13 UNHCR Data, "Ethiopia", Operational Portal: Refugee Situations, 31 October 2020.

14 F. Carver and A. Asfaw, "The Comprehensive Refugee Response Framework Progress in Ethiopia" (ODI/HPG Working Paper, 2019).

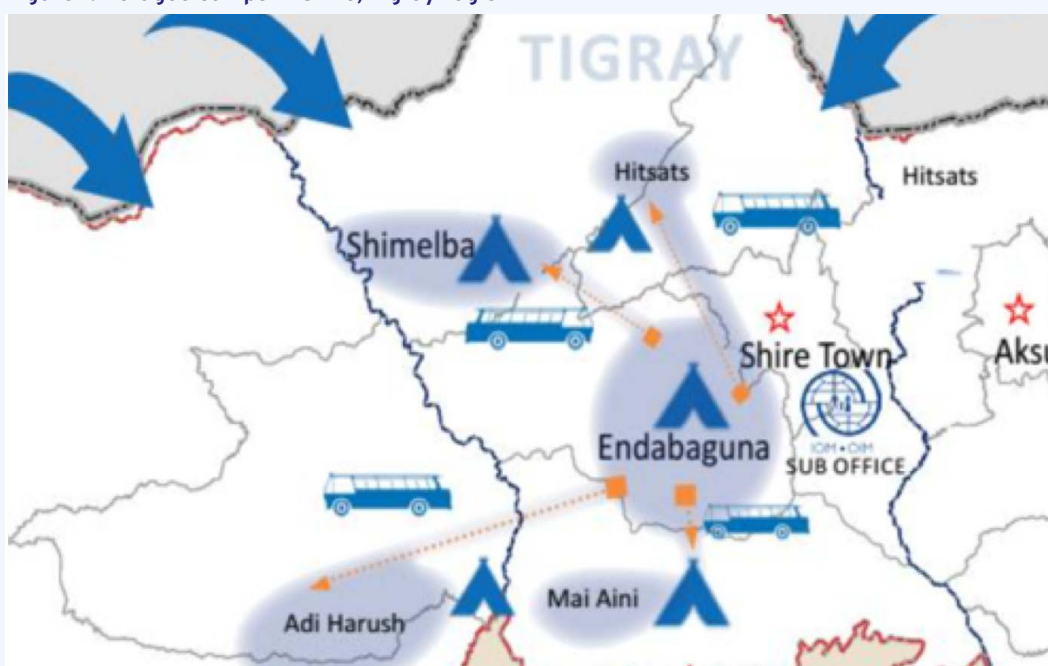
15 Samuel Hall, "Living Out of Camp: Alternative to Camp-Based Assistance for Eritrean Refugees in Ethiopia" (NRC, 2014).

16 Selam Tadesse Demissie, "The Eritrea-Ethiopia Peace Deal Is yet to Show Dividends", Institute for Security Studies (ISS), 11 September 2020.

nationals arriving in Ethiopia in the early 2000s were granted the “prima facie” refugee status,¹⁷ this progressive legal recognition has been recently retrograded as a potential result of the rapprochement between Ethiopia and Eritrea, crystallized by the peace deal they agreed upon.¹⁸

Despite these recent developments, Eritrean refugees often enjoy more privileges than other refugee groups and share the same cultural background as host communities in the region.¹⁹ The majority of Eritrean refugees in Tigray live in camps, mainly Shimelba, Mai Aini, Adi Harush and Hitsats. Eritrean refugees as well as people living in Tigray belong predominately to the Tigrayan ethnic group and exhibit cultural as well as linguistic similarities. However, despite this potential for “natural” integration and fertile grounds for social cohesion, the strict encampment policy and legal framework prevents refugees from engaging in the formal economy, thereby hindering their integration process. Without a successful enactment of Ethiopia’s policy reforms, Eritrean refugees keep being caught up “in limbo” as they are unable to return, not having the resources to migrate further and not in a legal position to integrate locally.²⁰

► Figure 1. Refugee camps in Shire, Tigray region



Source: UNHCR.

At the same time, Ethiopia’s unprecedented economic growth averaging 10 percent annually²¹ has not necessarily led to increased political stability and cohesiveness across regions. The country’s economic development has indeed not created enough jobs to respond to the youth bulge, leading to frustrations among young people, as they are unable to reap the benefits of Ethiopia’s growing economy. A case in point is the political tensions between the Tigray regional state and the federal government that recently burst into an overt and violent confrontation.²²

17 According to the UNHCR Guidelines on International Protection No.11, “a prima facie approach means the recognition by a State or UNHCR of refugee status on the basis of readily apparent, objective circumstances in the country of origin”.

18 Natalia Paszkiewicz and Nizar Manek, “Eritrean Refugees: Still Caught in a Game of ‘Political Football’”, *The Africa Report*, 15 May 2020.

19 Varalakshmi Vemuru, Aditya Sarkar and Andrea Fitri Woodhouse, “Impact of Refugees on Hosting Communities in Ethiopia: A Social Analysis” (Washington, D.C.: World Bank, 2020).

20 Samuel Hall, “Living Out of Camp: Alternative to Camp-Based Assistance for Eritrean Refugees in Ethiopia”.

21 World Bank, “Ethiopia Poverty Assessment: Harnessing Continued Growth for Accelerated Poverty Reduction”, 1 April 2020.

22 Jason Burke, “Ethiopian Government Moves to Replace Leadership of Tigray Region”, *The Guardian*, 7 November 2020.

The International Labour Organization (ILO) commissioned Samuel Hall in early 2020 to provide an assessment of labour markets dynamics and employment opportunities through an assessment of labour supply and demand, as well as labour market institutions.²³ The economic context, Ethiopia's ongoing implementation of the refugee policy reform and Tigray's potential for "natural" integration provide a momentum for improved economic opportunities for refugee and host communities. The research was conducted between June and November 2020 and focuses on the Shire area in Tigray with its three refugee camps (Shimelba, Mai Aini and Adi Harush) and surrounding host communities (May Tsebri and Shire). Starting with a brief introduction on the research context and the locations, this assessment will delve into the dynamics that govern Tigray's labour market on both the demand and supply side, before examining the existing institutions that support business development and workers' participation in the labour market, and concluding with a focus on the relationships between host communities and refugees, covering their strengths, weaknesses and how regulatory improvements can trickle down better social cohesion. The report finally offers recommendations to inform the thinking behind ILO's labour market interventions and guide the Government of Ethiopia's actions towards refugees' socio-economic integration.

► National context

There are three main factors that affect the labour market in Tigray's refugee hosting: Ethiopia's current internal political challenges, the government's economic growth plans and the refugee policy reforms. This section will briefly explore each of those factors.

Ethiopia's economic development

Ethiopia's Growth and Transformation Plan (GTP II, currently in its second phase) inscribes itself in the country's ambitious economic development agenda and has contributed to ranking Ethiopia as one of the fastest-growing economies in Africa. The country has achieved remarkable poverty reduction since the early 2000s compared with other Sub-Saharan African countries while maintaining one of the lowest levels of inequality worldwide. Between 2011 and 2016, the national poverty rate declined from 30 per cent to 24 per cent, with an urban poverty decline from 26 per cent to 15 per cent.²⁴ While the GTP II emphasized the pressing need to invest in the manufacturing sector, agriculture still remains the primary contributor to growth in 2020. This is notably due to the country's inability to address the lack of technological development in its manufacturing sector, as well as to improve productivity gains and strategic linkages with other sectors.²⁵ However, more structural factors also continue impeding Ethiopia's fully fledged structural transformation, as will be discussed below.

Political transition and internal conflicts

In recent years, the standing ruling party, the Ethiopian People's Revolutionary Democratic Front (EPRDF), had to deal with intense protests and ethnic clashes in several regional states and was forced to undertake a political shift resulting in the appointment of Prime Minister Abiy Ahmed in early 2018. While this political transition kept the EPRDF in place, the new prime minister implemented progressive reforms and has achieved significant changes on political and economic liberalization.

23 The report depicts the situation on the ground (socio-economic and political) pre-war (4 November 2020). The names of institutions and structures pre-date the October 2021 new federal government and its renaming and restructuring of institutions.

24 World Bank Group, "Ethiopia Poverty Assessment 2014" (Washington, DC: World Bank, 2015).

25 Arkebe Oqubay, "Industrial Policy and Late Industrialization in Ethiopia", in *The Oxford Handbook of the Ethiopian Economy*, ed. Fantu Cheru, Christopher Cramer and Arkebe Oqubay (Oxford University Press, 2019), 604–29.

However, the major challenge of the rapid transition to what is presented as a multi-party democracy under Prime Minister Abiy Ahmed is to reconcile ethno-regional interests and sense of belonging with a broader understanding of national identity.²⁶ Such challenges have translated into ethnic-based violence, culminating in the summer of 2019 with the joint assassination of the Amhara region's president and the federal military's chief of staff.²⁷ As ethnic tensions keep intensifying, Ethiopia records as of 2020 more than 1.2 million IDPs forced to flee due to conflict and violence.²⁸

The Tigray region has been affected by growing tensions between its regional government, led by the Tigray People's Liberation Front (TPLF) – who dominated the EPRDF coalition until April 2018 – and the federal government. In a country where successive political systems have all been faced with the challenge of addressing ethnic diversity, the dichotomy between ethno-nationalism and pan-Ethiopianism has polarized the political landscape, eventually leading to armed struggle.²⁹

A new framework for refugees in Ethiopia

Since the 1980s, Ethiopia has maintained an open-door policy for refugees coming from neighbouring countries, seeking protection and assistance. The rising number of refugees and the protracted nature of displacement have led the Ethiopian government to reconsider its refugee response, in order to promote a more sustainable approach based on refugees' increased self-reliance. This was reflected in the Nine Pledges made by the Government of Ethiopia during the New York Summit in 2016, geared towards enhanced rights and improved access to services.

In this context, the Comprehensive Refugee Response Framework (CRRF) adopted in 2017 is considered as the vehicle through which those Nine Pledges should transform into concrete measures.³⁰ In January 2019, Ethiopia revised its legal framework relating to refugees with the adoption of a new Refugee Proclamation by the Parliament. While the previous 2004 Refugee Proclamation of Ethiopia highly insisted on the adoption of a camp-based approach, this new proclamation provides refugees with the right to work and reside out of camps. This paradigmatic shift has been acclaimed as "one of the most progressive refugee policies in Africa".³¹ Though progress has been made to endorse a more open national refugee policy, the de facto transcription of this policy into action is still lacking and clarity is needed on how the provisions stipulated under this new Proclamation will materialize.³² Moreover, while decentralization has been in vigour since 1991, refugee affairs continue to be a federal-level prerogative and are exclusively managed by ARRA, with the support of the UNHCR.

26 Moses Khisa, "Politics of Exclusion and Institutional Transformation in Ethiopia", *Third World Quarterly* 40, No. 3 (4 March 2019): 542-57.

27 International Crisis Group, "Preventing Further Conflict and Fragmentation in Ethiopia", 19 July 2020.

28 IOM Ethiopia, "IOM Report: Ethiopia Records More Than 1.8 Million Internally Displaced in 2020", 18 September 2020.

29 The present study was conducted before the outbreak of war in Tigray in November 2020.

30 Administration for Refugee and Returnee Affairs (ARRA), "Roadmap for the Implementation of the FDRE Government Pledges and the Practical Application of the CRRF in Ethiopia" (Addis Ababa: Federal Democratic Republic of Ethiopia (FDRE), 2017).

31 UNHCR and Administration for Refugee and Returnee Affairs (ARRA), "Additional Provisions within the Revised National Refugee Law in Ethiopia", 2019.

32 F. Carver and A. Asfaw, "The Comprehensive Refugee Response Framework Progress in Ethiopia".

► Tigray region: Shire area

Socio-economic environment

Tigray has an estimated population of 5.4 million people, of whom approximately 13 per cent and 43 per cent are under 5 years old and 18 years old respectively. This makes Tigray the fifth most populous region of Ethiopia. Tigray has a relatively high percentage of female-headed households, at 34 per cent in 2018 against a national rate of 25 per cent in 2016.³³ Compared with national indicators, Tigrayans benefit from an improved access to education, with the enrolment ratio for pre-primary education being the highest in the country. This suggests that the region is on the right track to meeting its young population's educational needs.³⁴

Tigray's West Zone is known as the Shire area, after the name of its capital, Shire town. The Shire area has proven to be an ideal place for high-value commercial crop cultivation, such as sesame, and owes its high agricultural outputs to relatively favourable weather conditions, fertile soils and the presence of the Tekeze River as a source of irrigation. In addition, the region enjoys natural endowments of minerals and gold. These different attributes have placed Western Tigray on an equal footing with the country's three major agro-industrial areas (Central Eastern Oromia, South West Amhara and Eastern SNNP). The region's prevalent agricultural sector can help explain the fact that to this day, three out of four Tigrayans still live in rural areas, their livelihoods being largely depend on subsistence farming.³⁵ However, it is still important to acknowledge the difficulties smallholder farmers face in this area: their agricultural productivity often falls short in times of extreme weather events such as drought or heavy rainfall. In 2018, more than 8,000 people were at risk of flooding and almost 3,000 people were likely to be displaced.³⁶ Lack of adequate infrastructure, weak climate adaptation capacities and high economic dependency on agricultural production are some of the factors that keep local communities in situations of vulnerability and continue to hinder the region's economic development,³⁷ to the extent that 27 per cent of its inhabitants still live under the poverty line.³⁸

Refugee population in the Shire area

With 95,929 registered refugees as of October 31, 2020,³⁹ Tigray is the third largest refugee hosting region in Ethiopia after Gambella and Somali regional states. Refugees in Tigray are accommodated in four refugee camps located in the northwest part of the region, 100 km away from the Eritrean border. The refugee population hosted in Tigray is characterized both by its relative homogeneity and by the important cultural proximity between refugee and host communities. The oldest refugee camp, Shimelba, was established in 2004 to accommodate the first wave of Eritrean refugees seeking international protection after the Ethiopia-Eritrea war of 1998–2000⁴⁰ and who had been staying in the temporary Wa'ala Nihibi camp. Shimelba camp hosts a large population of Kunama origin, one of the smallest ethnic groups in Eritrea who account for approximately 2 per cent of Eritrea's population. They live close to the

33 UNICEF, "Situation Analysis of Children and Women: Tigray Region", 2020.

34 Ibid.

35 UNICEF, "Situation Analysis of Children and Women: Tigray Region".

36 OCHA, "Joint Government – Humanitarian Partners National Flood Contingency Plan 2018 Kiremt", 2018. Affected woreda were: Werilehe, Atsbi wenberta, Tahitay Koraro, Sahrti samre, Ahferom, Kola temben, Laelay Mayichew, Tahitay Mayichew, Hinatlo Wajirat, Medebay zana and Ofla.

37 Tagel Gebrehiwot and Anne van der Veen, "Climate Change Vulnerability in Ethiopia: Disaggregation of Tigray Region", *Journal of Eastern African Studies* 7, No. 4 (November 2013), 607–29.

38 UNICEF, "Situation Analysis of Children and Women: Tigray Region".

39 UNHCR Data, "Ethiopia".

40 Eva Ludi and Tsionawit Gebre Yohannes, "Tigray Regional Report. Refugee and Host Community Context Analysis" (ODI/DRC, 2019).

Ethiopia border, between the Gash and Setit rivers, and are mainly agro-pastoralists.⁴¹ The livelihood and demographic characteristics of the refugee population hosted in Shimelba contrast with that of the three other camps, Mai Aini, Adi Harush and Hitsats, established in 2008, 2010 and 2013 respectively.⁴² Adi Harush and Mai Aini have the advantage of being in close proximity to May Tsebri, a dynamic town which has benefited from refugees' presence and has experienced rapid development over the last decade. This dynamic urban setting has allowed refugees in Mai Aini and Adi Harush to engage in informal economic activities, fostering by the same token relations of interdependence between refugees and hosts. Meanwhile, Hitsats, the most recent refugee camp set up in the area, is expected to close in the near future, although plans have been delayed because of COVID-19.⁴³ Shimelba, by contrast, is more isolated and is located 30 km away from the nearest town, Sheraro, which is not as developed as May Tsebri.⁴⁴

Since the 2000s, Ethiopia has received steady flows of Eritrean refugees crossing the border to escape political oppression, human rights abuse and Eritrea's unlimited military service. In 2019, 6,000 Eritreans arrived in Ethiopia every month on average according to Human Rights Watch.⁴⁵ Most of the Eritrean refugees are young men: males account for about 60 per cent of the refugee population in Tigray refugee camps, many of them below the age of 18. According to the UNHCR, 44 per cent of Eritrean refugees in Tigray camps are children. In Shimelba, refugees between 18 and 24 years old account for 33 per cent of the camp's population, 22 per cent in Adi Harush and 20 per cent in Mai Aini. In April 2020, ARRA announced that Eritrean nationals would no longer be offered prima facie refugee status, arguing that the situation in Eritrea has evolved.⁴⁶ Concrete changes regarding the new policy towards Eritreans are yet to be seen.

Conflict dynamics

This year the Tigray region conducted regional elections on 9 September 2020 after the federal government postponed the 6th general election planned to be conducted in August 2020, aimed at stopping the spread of COVID-19. Tigray's regional election was not welcomed by the federal government, and the tension is escalating after the regional election. The house of federation officials denied the regional government to conduct elections and called it "unconstitutional", and it is null and void.⁴⁷

In its latest report, the International Crisis Group emphasized the growing tension between the federal and the Tigray regional state and argued that the "ongoing tensions also could push Tigray to trigger constitutional secession procedures, further raising the stakes and intensifying conflict risks with Addis Ababa and Amhara region".⁴⁸ The incumbent party in Tigray region, the Tigray People's Liberation Front (TPLF), secured 189 regional council seats out of 190[5], in an election deemed illegal by the federal government. However, Tigrayan leaders believe that the federal government is no longer legitimate as the constitutional mandate of both the upper and lower houses and ministries ended on October 5th 2020; therefore, "they have vowed to recall representatives at the federal level and said any decisions taken by Abiy's government going forward 'will not be applicable' in Tigray".⁴⁹ While the federal government has announced it would continue to work with local institutions in Tigray to provide 'basic services' to the

41 Refugees International, "Forgotten People: The Kunama of Eritrea and Ethiopia", 18 February 2004.

42 Eva Ludi and Tsionawit Gebre Yohannes, *ibid*.

43 Jaclynn Ashly, "Eritrean Refugees in Ethiopia Resist Camp Closure amid COVID-19 Fears", *The New Humanitarian*, 17 August 2020.

44 Eva Ludi and Tsionawit Gebre Yohannes, "Tigray Regional Report. Refugee and Host Community Context Analysis".

45 Human Rights Watch (HRW), "Ethiopia: Unaccompanied Eritrean Children at Risk", 21 April 2020.

46 S. Creta, "Ethiopia plans to close Eritrean refugee camp despite concerns", *Al Jazeera*, 19 April 2020.

47 Elias Meseret, "Ethiopian Region Votes, Defying Federal Government and PM", AP News, 9 September 2020.

48 International Crisis Group, "Preventing Further Conflict and Fragmentation in Ethiopia".

49 AFP, "Ethiopian Parliament Votes to Cut Ties with Tigray Region Leaders", *Al Jazeera*, 7 October 2020.



Photo 1: Mai Aini, August 2020. © Samuel Hall

region, the House of Federation Speaker Adem Farah, in an interview with a state television, affirmed that “the House of Federation has announced the illegally formed Tigray regional assembly and cabinet has no legal basis so will receive no budgetary support”.⁵⁰

Even before the conflict between the federal government and the regional state, according to the Displacement Tracking Matrix (DTM) of the IOM, “96,256 displaced individuals comprising 49,388 households in 207 displacement sites were identified in Tigray region in 2019”.⁵¹ Conflict was “the primary cause of displacement for an estimated 100 per cent of the displaced population”. According to the report, the majority of IDPs identified in the region were displaced to locations near their areas of origin. Of the IDPs displaced within the region, 7 per cent were displaced within their zone of origin. The Shire area (North West Zone) had 4,284 IDP households (9,479 individuals) till 2019. Out of those IDPs in the zone, the majority of them (2,290) were in Shire town.⁵²

50 RCB/ERC, “Ethiopian Lawmakers Vote to Slash Funds for Tigray”, *Yahoo News*, 7 October 2020.

51 DTM Ethiopia, “Displacement Tracking Matrix (DTM) Tigray Region, Round 17: May/June 2019” (IOM, 13 August 2020).

52 DTM Ethiopia.

2

Survey methodology

The research team would like to thank the Agency for Refugee and Returnee Affairs (ARRA) for its support in providing research permissions, allowing access to refugee camps and taking part in the research.

This study was conducted between June and November 2020, using a mixed-method approach. First, an extensive desk review, including the review of grey literature on livelihoods promotion and labour market integration of host and refugee communities, was undertaken. This helped ensure the relevance of the present assessment and its value added to existing research on market dynamics in the region, while maximizing the use of existing data. Linkages between fieldwork findings and academic literature on the Tigray region's economic ecosystem have been made explicit throughout this assessment.

In addition, fieldwork was conducted during the month of August to collect both quantitative and qualitative data. The fieldwork comprised different phases:

- ▶ **Preliminary KIIs:** The preliminary interviews were conducted by local enumerators in order to identify the Tigray region's main economic sectors, as well as key stakeholders that make up the region's economic landscape, in addition to employers and workers. These interviews helped inform future qualitative data collection, especially the composition of the Focus Group Discussions as well as the choice of priority economic sectors for the Case Studies and crucial actors for the Capacity Assessments.
- ▶ **Quantitative surveys:** Quantitative surveys were conducted using two questionnaires, one intended for enterprises and another for individuals from both host and refugee communities. While they were initially meant to be conducted by phone to limit the exposure to COVID-19, bad network in some of the research locations led the team to adapt the approach and conduct interviews in-person. For the sake of time and resources optimization, these questionnaires were also used for another parallel study commissioned by the ILO (on the regional impact of COVID-19 in Ethiopia) during the same period, and therefore included more specific questions on the pandemic's economic repercussions. As summarized in the tables below, the sampling locations included the two host community towns, Shire and May Tsebri, and the two refugee settlements, Shimelba and Adi Harush–Mai Aini. Contact details for employers and individuals were initially gathered using a snowball approach, but the team encountered difficulties with this approach during the pilot, such as: phone numbers not working owing to power cuts, poor phone network, high rejection rate. Therefore, the research team decided to switch to another strategy consisting in having field teams travel to the camps and surrounding



Photo 2: May Tsebri, August 2020. © Samuel Hall

host communities to collect data in person. The quantitative team, composed of ten enumerators, travelled to the research locations and selected enterprises and individuals in the refugee and host communities, interviewing one respondent every three buildings. All enumerators were equipped with face masks, hand sanitizers and received training on COVID19-related preventive measures such as social distancing.

- **Qualitative interviews:** Qualitative interviews were conducted in person, while respecting hygiene standards and social distancing, based on both preliminary KIIs and phone surveys. Qualitative data was gathered building on four different tools: Key Informant Interviews, Focus Group Discussions, Case Studies, and Capacity Assessments.

► **Table 1. Individuals' sample**

Individuals	Hosts	Refugees	Row total
Shire	148	1	149
May Tsebri	139	0	139
Shimelba	14	54	68
Mai Aini – Adi Harush	12	71	83
Total	313	126	439

► **Table 2. Enterprises' sample**

Enterprises	Hosts	Refugees	Equal share	Row total
Shire	80	0	1	81
May Tsebri	78	0	1	79
Shimelba	5	29	2	36
Mai Aini – Adi Harush	3	33	0	36
Total	166	62	4	232

► **Table 3. Qualitative data sample**

Key Informant Interviews	26	<ol style="list-style-type: none"> 1. Shire Agricultural Poly TVET College 2. Dedebit microfinance institution, Shire 3. Representative of the construction sector 4. Small and Medium Enterprises office, Shire 5. ARRA, Shire 6. UNHCR, Shire 7. Farmers Training Centre, Shire 8. Cooperative, Sheraro 9. Commercial bank, Sheraro 10. Women refugee association, Adi Harush 11. Labour and social affairs office, May Tsebri woreda 12. NRC, May Tsebri 13. Plan and finance office, May Tsebri woreda 14. Representative of the hospitality sector, May Tsebri 15. Relief Society of Tigray (REST), Selekleka Office 16. Zone Deputy Administrator and Special advisor on Labour and Social Affairs, Selekleka Office 17. Alianza Shire, coordinator, ZOA 18. DRC, Shire project manager 19. Agricultural Transformation Agency, Mekelle 20. BoARD, Agricultural Extension Directorate, Mekelle 21. Tigray Development Association, Mekelle 22. Confederation of Ethiopian Trade Union, Mekelle 23. IFC, Addis Ababa 24. GIZ, Addis Ababa 25. Agricultural Transformation Agency, Addis Ababa 26. MoLSA, Labour Department, Addis Ababa
Focus Group Discussions	10	<ol style="list-style-type: none"> 1. Unemployed youth refugees (female/male) in Shire 2. Unemployed youth hosts (female/male) in Shire 3. TVET students, hosts (female/male) in Shire 4. Self-employed refugees (female/male) in Shimelba 5. Female refugees in Shimelba 6. Refugee employers, male, in Mai Aini 7. Self-employed hosts (female/male) in May Tsebri 8. Female host employees in May Tsebri 9. Host Employers (female/male) in May Tsebri 10. Host Employers (female/male) in May Tsebri
Case Studies	4	<ol style="list-style-type: none"> 1. Hospitality sector 2. Oilseed and sesame production 3. Mining 4. Taxi services
Capacity Assessment	4	<ol style="list-style-type: none"> 1. Construction company 2. ARRA (Shimelba) 3. Labour and social affairs bureau, May Tsebri woreda 4. SME bureau, May Tsebri woreda

Limitations

Several data collection caveats need to be pointed out as they may influence data interpretation and analysis throughout the present report:

1. **Sampling size and representativeness:** The sample used for this study cannot be considered representative of the whole population. Achieving representativeness in the sample would have required:
 - a. Random selection based on an exhaustive and accurate list of refugees: based on Samuel Hall's past experience working with refugees, access to UNHCR data is extremely difficult and requires the signature of a data-sharing agreement, meant to protect refugees' privacy and personal data. This process would have caused significant delays, while the timeline to conduct fieldwork was tight owing to the elections in Tigray and risks of unrest.
 - b. Random selection based on an exhaustive and accurate list of hosts: Ethiopia's last census was conducted in 2007, that is, before the establishment of the most recent camps in Tigray. For that reason, there are no accurate figures on the local population.

In addition, sample sizes may diverge across demographic groups and may thus limit the representativeness of the results presented in the labour market assessment. This is notably true for variables such as migratory background (hosts versus refugees), age and economic sectors. Taking the case of migratory background, the data collected shows a significant discrepancy between host samples and refugee samples, such that the sample for host enterprises, for instance, is twice as big as the sample size for refugee enterprises. This does not necessarily mean that there are fewer refugee enterprises in the population of interest but could provide qualitative insights on the nature of refugee enterprises: a greater proportion of them may not be registered and, subsequently, may not want to be documented by fear of being constrained to shut down by local authorities. Conversely, the variation across the sample size of economic sectors might indeed be due to the importance of each sector in the locations of interest.

3. **Survey question interpretations:** Survey questions may not be understood in the same way by all respondents. This is because certain concepts and notions employed do not apply in the Tigray region's local socio-economic context as they would in industrialized countries. For instance, the very notion of employment may be located on a wide definition spectrum ranging from full-time contractual employment to informal casual labour. The way a respondent defines employment will have repercussions on the way he or she interprets concepts such as enterprise size, formality, and even unemployment. For this reason, to depict an accurate representation of the reality on the ground, quantitative data must be complemented with qualitative findings that help understand the complexities behind socio-economic concepts of interest for a labour market assessment and spark discussions around their practical application in the study region.
4. **COVID-19 and its effects on labour market dynamics:** Labour market dynamics can be easily affected by exogenous factors, such as external economic shocks. The coronavirus pandemic is an ideal case in point in this regard. It is therefore important to keep in mind that the data collected on labour market trends and patterns in the Tigray region may be largely influenced by recent development related to the COVID-19 crisis. Respondents may present a more biased perception, portraying labour market dynamics and their participation in supply-side or demand-side activities in a negative light, if they feel discouraged or overwhelmed by the pandemic.



▶ 3

Demand side

Part of the labour market assessment is to look at the demand side for labour, with a particular focus on the dynamics that govern business performance and subsequently influence job creation. Findings for the Tigray region can be summarized in three major points. First, it is interesting to note that host enterprises and refugee enterprises do not always face the same impediments to business growth and, when they do, these impediments do not play out in similar proportions. For instance, refugees face severe regulatory restrictions that entirely suppress their access to formal finance, compared with host businesses that can access financial services, albeit with limits. The second point is that, for barriers to be lifted in a swift and efficient manner, government support is very much needed. This includes barriers that will be further discussed in a later section on labour market institutions and encompasses topics such as the prevalence of informality, the skills mismatch and recruitment hardships, as well as the existence of weak business networks and support mechanisms for enterprises. Finally, it is crucial to point out that entrepreneurs have been indiscriminately hit by the COVID-19 pandemic independently of their company's profile, although certain economic sectors are more harshly affected than others. The final subsection on promising sectors with high potential for growth will strive to present some projections on industries that might gain traction in the short-to-medium term. While these by no means ought to serve as forecasts, they do however aim to provide avenues for further reflection and consideration.

▶ Companies' profile

The largest economic sectors in the Tigray region are the services sector (56 per cent of surveyed enterprises) as well as wholesale and retail trade (25 per cent of surveyed enterprises). Looking at the distribution of enterprises across sectors in the different sub-locations in Tigray, the data reveals that the manufacturing and construction sectors are exclusively developed in host towns Shire and May Tsebri, with respectively 22 per cent and 19 per cent of enterprises operating in these sectors, whereas only one enterprise operates in these sectors across the two sampled refugee camps. Meanwhile, economic activities in refugee camps are concentrated in the tertiary sector and the wholesale and retail industry:

42 per cent of enterprises established in Shimelba operate in the wholesale and retail sector, whereas 67 per cent of enterprises in Mai Aini-Adi Harush run service activities. The prevalence of service activities is however equally noticeable across Tigray's host communities.

► **Table 4. Economic sectors in the sample**

Economic sectors by location	Adi Harush-Mai Aini (n=36)	May Tsebri (n=79)	Shimelba (n=36)	Shire (n=81)
Services	67%	58%	56%	49%
Agriculture	0%	1%	3%	4%
Manufacturing and construction	3%	19%	0%	22%
Human health and social work activities	3%	3%	0%	2%
Wholesale and retail trade	28%	19%	42%	22%

It is equally interesting to look at the distribution of education levels among employees working in different sectors. Employees who did not benefit from formal education or were only able to reach secondary school at most are less likely to work in construction, manufacturing and human health or social work activities than their counterparts who underwent vocational training or were able to obtain a university degree: 40 per cent of enterprises who claim that their employees have a professional diploma operate in the manufacturing sector compared with 5 per cent of enterprises with employees who have reached at most secondary school. Conversely, employees who have only attained at most secondary school tend to work in the tertiary industry or wholesale and retail sector: 67 per cent of enterprises with employees that have no formal education, have completed primary school or secondary school at most run service activities, whereas only two enterprises out of twelve with employees who completed a bachelor's degree work in the service sector.

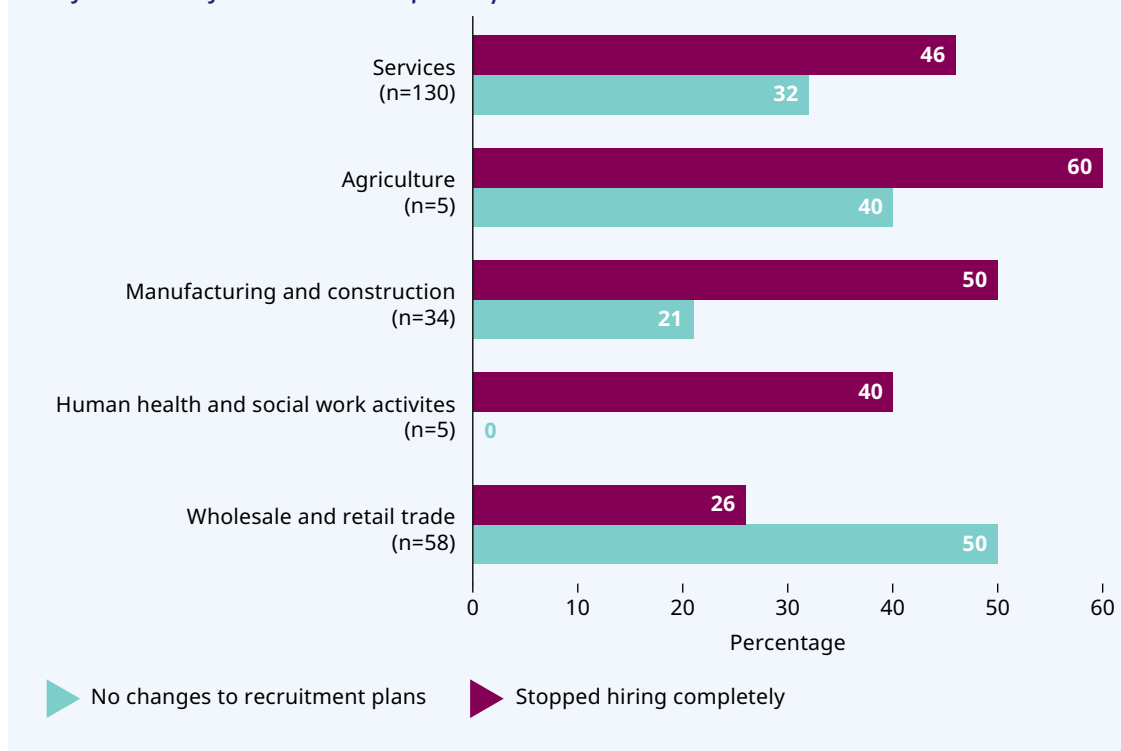
The Tigray region's economic landscape is predominantly composed of microenterprises with 80 per cent of the surveyed working on their own account or having five employees at most. Gender-disaggregated data signals disparities in enterprise size between men and women business owners. Indeed, only 1 per cent of women entrepreneurs own businesses with more than ten employees compared with 12 per cent of men entrepreneurs. Likewise, women entrepreneurs tend to have a higher likelihood of owning microenterprises (fewer than six employees) than men entrepreneurs, the percentages amounting to 89 per cent and 74 per cent respectively. Similar discrepancies can be identified when comparing host and refugee enterprises, as 11 per cent of host enterprises operate with more than ten employees while this is the case for no refugee enterprise. It can be argued that women and refugees are more likely to own smaller economic units, as they tend to operate in the informal sector and carry out subsistence-based activities that provide them with a meagre income to survive. Indeed, 53 per cent of refugees and 29 per cent of women own unregistered businesses compared with 8 per cent of hosts and 16 per cent of men respectively. Moreover, a larger share of enterprises have been operating on the market for fewer than five years (68 per cent) while 26 per cent of enterprises have established themselves between five and ten years ago and only twelve enterprises in the sample have existed for more than ten years. It should be highlighted that hosts have a higher propensity to own well-established enterprises relative to refugees, with 31 per cent of hosts owning enterprises with a seniority level of five to ten years compared with 15 per cent of refugees and all twelve enterprises that have been operating for more than ten years belonging to hosts.

► **Table 5. Enterprises' size in the sample**

Size	0 to 5 employees	6 to 10 employees	More than 10 employees
Total (n=232)	80%	12%	8%
Hosts (n=166)	73%	16%	11%
Refugees (n=62)	98%	2%	0%
Women (n=94)	89%	10%	1%
Men (n=138)	74%	14%	12%

World economies have been significantly shaken by the coronavirus pandemic, and Ethiopia's already fragile economy is no exception. Examining the pandemic's impact from a regional lens can provide a more precise account of the challenges faced by different regions. In fact, while the Tigray region's labour market has been suffering the severe consequences of COVID-19, owing to the economy's contraction as a result of the lockdown and other containment measures, data gathered on employee numbers before and after the pandemic began shows that a higher percentage of enterprises preserved their workforce (49 per cent) than enterprises that reduced their staff (44 per cent). This is supported by evidence on the propensity of enterprises to change their recruitment plans. While 44 per cent of enterprises stopped hiring, 36 per cent left their recruitment plans unchanged. Data disaggregated by economic sectors helps identify the three main industries under distress in Tigray: agriculture, manufacturing and construction, and services are the hardest hit with respectively 60, 50 and 46 per cent of enterprises constrained to stop hiring. The data also indicates that registered enterprises are more likely to reduce their staff (47 per cent) than unregistered enterprises (31 per cent). A potential explanation for this finding could be that employees in informal enterprises are hired on the basis of an oral agreement, which does not define the terms and conditions of their employment. Rather than laying off employees, unregistered enterprises have the possibility of changing employment conditions as a means of coping with unexpected economic downturns, ultimately putting their employees in a more precarious situation.

► **Figure 2. Changes to recruitment plans by economic sector**



► Doing business in the Shire area

Examining the demand side for labour entails identifying the bottlenecks employers face to grow and sustain their business. These bottlenecks can be of a wide variety: from access to finance to the difficulties employers encounter in recruiting new employees, including the challenges linked to registration status and the specific barriers hindering business development. In the Tigray region, examining how these constraints play out for host and refugee communities to different extents can prove insightful. Overall, the data reveals that enterprises in the Shire area suffer, first and foremost, from a lack of capital. In this regard, refugee enterprises are the most affected as they continue to face stringent regulations prohibiting them from accessing formal finance. Meanwhile, registered host enterprises struggle with hiring qualified staff owing to one key structural labour market constraint, the mismatch between supply and demand.

Perception of business growth

An overwhelming majority of entrepreneurs (88 per cent) claim that, with hindsight, their business fares worse today than it did a year ago, and only 2 per cent of entrepreneurs claim that businesses are performing better than the previous year. A robust explanation for this is the negative impact the coronavirus pandemic has had on enterprises and business performance, as many enterprises were forced to dismiss some of their employees or resort to other human resources adaptations, such as reduction of working hours, salary cuts and changes to recruitment processes. However, it is equally noteworthy to highlight that some entrepreneurs are optimistic about the future and seem to exhibit a certain level of confidence as to prospective business performance and outcomes. While the majority either think their work will decrease in the next year or are uncertain about the future (total of 62 per cent), 24 per cent of business owners believe that their enterprise will experience an increase in workload in the upcoming year. This figure suggests that some entrepreneurs, notably those operating in the service industry, are hopeful for the future and therefore provides a sense of the mood that dominates Tigray's labour market in the aftermath of an unprecedented health crisis. The discernible mood is nuanced as two categories of entrepreneurs can be distinguished – hopeful entrepreneurs (those operating in the service industry for instance) and sceptical entrepreneurs (those operating in the construction industry in particular). These perceptions are in line with global trends on business prospects after the pandemic.

► **Table 6. Enterprises' retrospective perception**

Enterprise's workload today compared with a year ago	Less	The same	More	Don't know/refusal
Services (n=100)	86	7	0	7
Agriculture (n=3)	2	1	0	0
Construction (n=4)	4	0	0	0
Human health and social work (n=3)	3	0	0	0
Manufacturing (n=16)	12	2	2	0
Wholesale and retail trade (n=50)	41	8	1	0
Total (n=176)	84%	10%	2%	4%

► **Table 7. Enterprises' prospective perception**

Prospective perception: enterprise's workload next year compared with today	Less	The same	More	Don't know/refusal
Services (n=130)	39	15	33	43
Agriculture (n=5)	0	1	2	2
Construction (n=9)	5	2	1	1
Human health and social work (n=5)	2	0	3	0
Manufacturing (n=25)	10	3	6	6
Wholesale and retail trade (n=58)	19	11	11	17
Total (n=232)	32%	14%	24%	30%

Access to finance

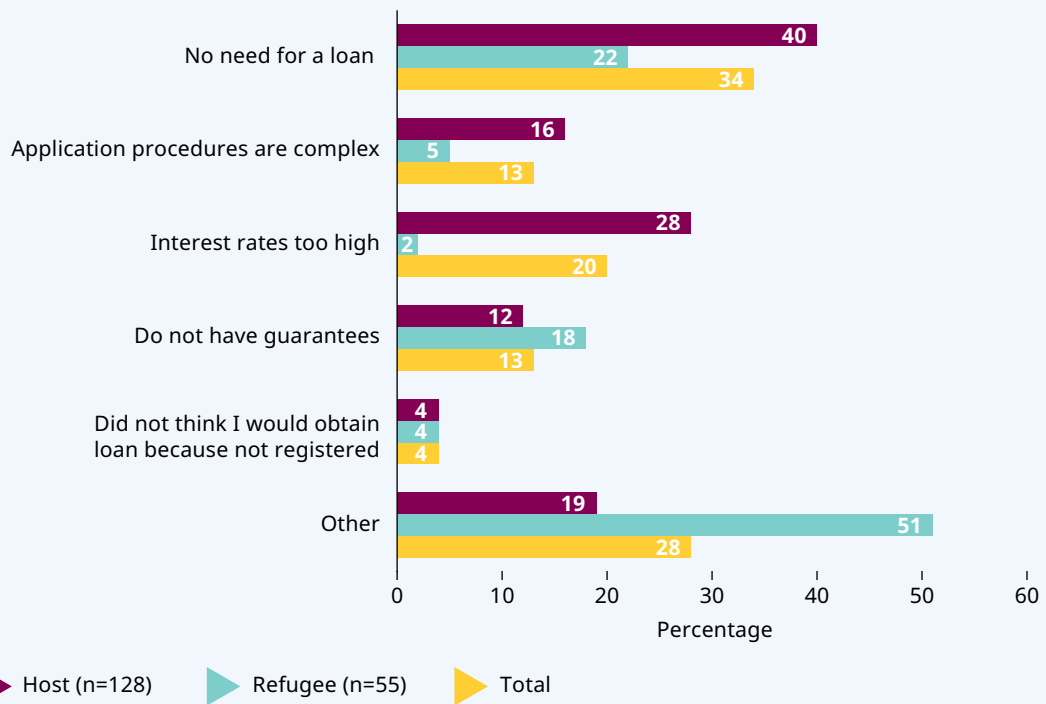
► **Table 8. Means of financing day-to-day operations**

	Banks	Microfinance institutions	Moneylenders	Friends and relatives	Own funds
Total (n=228)	10%	15%	2%	24%	82%
Hosts (n=166)	13%	20%	2%	22%	84%
Refugees (n=62)	0%	0%	2%	29%	79%

Table 8 provides a snapshot of the reality of financial access in Tigray, notably through the lens of forced displacement. Overall, the large majority of enterprises finance their business operations through their own funds, with proportions of 84 per cent for host enterprises and 79 per cent for refugee enterprises. While 20 per cent and 13 per cent of host enterprises finance their daily operations through microfinance institutions and formal banks, respectively, no refugee entrepreneur has been recorded to engage with formal financial institutions to keep his or her business running. This can be explained by the fact that, even if refugees wanted to reach out to formal financing institutions, the regulatory framework that governs their stay in Ethiopia forbids them to do so. This is reflected by a higher proportion of refugee enterprises (29 per cent versus 22 per cent of host enterprises) that reach out to family and friends to maintain their business operations. This usually takes the form of remittances, which Eritrean refugees are known to benefit from to a large extent.

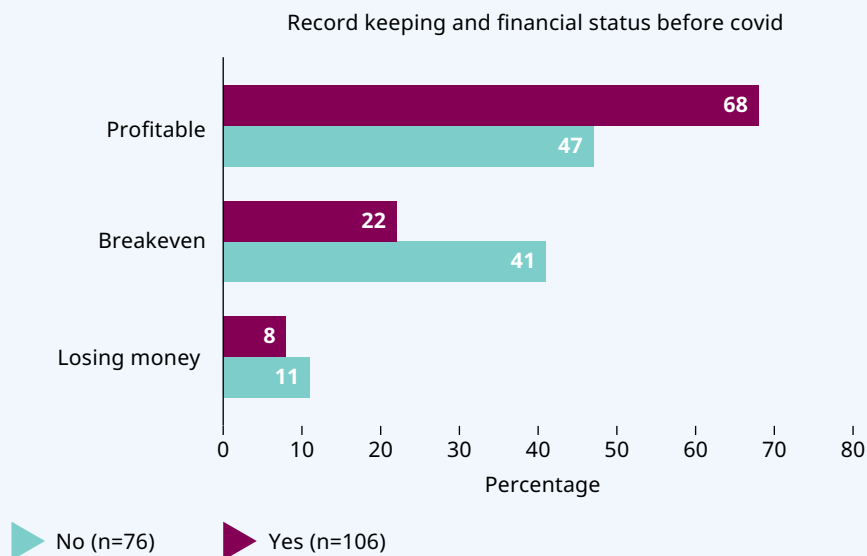
Looking at more specific variables that offer a deep dive into precise parameters of financial inclusion, the main findings identified are the following. Up to 76 per cent of refugee enterprises and 93 per cent of host enterprises own a bank account. Nonetheless, ownership of a bank account is not necessarily indicative of utilization levels. Indeed, only 40 per cent of host enterprises have used their account to apply for loans while, as mentioned previously, no refugee enterprise was able to take out a loan, as a result of stringent credit provision regulations vis-à-vis refugees. When asked why they did not request a loan, host and refugee respondents had different answers. The two main reasons for host businesses not to apply for a loan were the lack of need for credit (40 per cent) and the high interest rates (28 per cent). Meanwhile, 51 per cent of refugees did not choose one of the proposed answers, but rather answered "other" and gave the explanation of being banned from accessing formal loans. Moreover, 22 per cent of refugee enterprises claimed not to require a loan and 18 per cent stated that they did not have the guarantees necessary to request a loan. With regards to mobile payments, the data shows that only a small percentage of host enterprises (24 per cent) and refugee enterprises (6 per cent) resort to technological tools for processing transactions.

► **Figure 3. Reasons for not applying to a loan**



Being prevented from accessing formal financing can be a real impediment to an enterprise's growth and performance. However, it is not the only factor that may have an impact on an enterprise's capacity to be profitable in normal times and to demonstrate resilience in the face of extraordinary economic events, such as a worldwide pandemic. The data shows that, when it comes to financial status, being equipped with advanced financial literacy skills, in addition to access to finance, increases a business's likelihood to be profitable. For instance, 68 per cent of enterprises that keep business records, which is deemed to be one of the major components of financial awareness and literacy, were profitable before the coronavirus pandemic began, compared with 47 per cent of enterprises that did not keep business records.

► **Figure 4. Keeping business records and profitability**



Moreover, the data suggests that financial literacy has stronger implications for an enterprise's capacity to weather an economic crisis than access to finance. More particularly, ownership of a bank account does not have considerable effects on an enterprise's capacity to continue paying its employees' salaries. Indeed, 17 per cent of enterprises with a bank account can continue paying salaries for more than 6 months and 14 per cent for 4 to 6 months, compared with 12 per cent in both cases for enterprises without a bank account. This can be explained by the fact that ownership of a bank account does not necessarily imply the fully fledged utilization of that bank account or having any financial commitments. As such, application for loans is a more robust explanatory variable of financial resilience than ownership of a bank account with 46 per cent of enterprises that applied for a loan in the previous year being able to continue paying salaries for more than four months relative to 25 per cent of enterprises that did not apply for a loan. Nonetheless, financial resilience seems to be more contingent on entrepreneurs' financial literacy levels and their adoption of financial management tools, using the assimilation of bookkeeping techniques as a proxy. While 40 per cent of enterprises that keep business records can continue paying salaries for more than four months, this is the case for only 14 per cent of enterprises that do not keep business records.

Business creation and growth

When asked about the main barriers to business creation and growth, 68 per cent of respondents unanimously claimed that lack of capital was the major impediment they faced, closely followed by lack of demand for certain products (44 per cent) and finally lack of supply (14 per cent).

As explained in the previous section, the main barrier – lack of capital – can be linked to the restrictions that refugee entrepreneurs face when trying to start or grow their business. Key informants explained that several banks have recently started recognizing refugee IDs to allow them to open a bank account for their savings. However, despite this improvement, refugees are still not allowed to take out a loan or to engage with formal financial institutions. This pushes them to use their own funds or capitalize on remittances to feed into their businesses, thereby diverting a subsequent share of their financial resources from livelihoods promotion or human capital development such as education or health expenses. In addition, respondents explained that i) the amount of remittances received is often just enough to cover daily expenses, and ii) the COVID-19 pandemic has led to a severe reduction in remittances. When pressed about the amount they would need to start a business, participants cited amounts between 20,000 and 40,000 Ethiopian birr (US\$540–1100). However, and as existing literature on financial inclusion shows, lack of access to formal finance lowers their propensity to formalize their business, as refugee enterprises operate in their greater share informally.⁵³ For host community members, credit can be obtained through traditional savings associations, such as Iqub.⁵⁴ While refugees sometimes form similar associations, those relying on humanitarian assistance are not able to contribute and therefore cannot access credit. Interviewed refugees mentioned NGO-led programmes, which include a start-up capital, following training sessions. However, the amounts provided by the organizations are again insufficient to start a business from scratch (between 10,000 and 15,000 birr), and the number of beneficiaries is limited.

To better grasp the intricacies behind the second impediment to business growth (lack of demand), examining qualitative data can prove useful. In fact, it appears that this barrier is much more prevalent across refugee camps than it is within host communities. This is corroborated by quantitative findings, which indicate that, in Shire for instance, less than 20 per cent of respondents claim limited demand to be a major obstacle whereas this figure goes up to 72 per cent in Shimelba and 67 per cent in Mai Aini-Adi Harush. Based on insight from qualitative interviews, it can be concluded that the demand for goods and services is scarce in refugee camps. Refugees have limited purchasing power, as they do not engage in profitable economic activities.

53 Existing literature on the role of financial institutions in driving formalization shows that formal financial institutions such as banks and microfinance institutions can act as allies in the endeavour to curb the informal sector. Banks can in fact put in place conditionality mechanisms, such as loan graduation schemes, whereby application to bigger loan amounts is contingent on business and employee registration. To further explore this topic, see: International Labour Organization (ILO), "Role of Finance in Driving Formalization of Informal Enterprises", 2016, https://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/---ifp_seed/documents/publication/wcms_533200.pdf.

54 Iqub is a traditional self-help group where members contribute a small amount of money, which will be given to one of the members for a limited period of time.

►► *“We all here are refugees; our purchasing capacity is low, and we do not get support. People may buy some goods on credit; otherwise you cannot buy things by cash. In this camp, there are many different types of service enterprises such as grain stores, snack bars, shops, movie houses and local breweries. But they are not working. They sell their goods on credit and the users will pay back after they get their monthly ration.”*

► KII, Cooperatives, Shimelba

Not only are refugee enterprises unable to increase their profitability owing to insufficient demand, but they may also find themselves at risk of insolvency if their customers do not receive the cash flow on time.

In host towns such as Shire and May Tsebri, the demand is higher as it flows from both host and refugee communities. Various respondents in May Tsebri insisted on the positive “contribution” refugees have on business growth and the area’s economic flourishing. Certain host entrepreneurs thus view refugees as an asset to their business with positive spillover effects on consumption thanks to the high level of remittances they receive. However, the main takeaway is that although host enterprises owe their expansion in part to the refugee community, refugees’ demand for their products remains overall quite volatile. Indeed, relying on refugees as a source of income and clientele may not be particularly strategic. Their participation in consumption patterns fluctuates depending on exogenous factors over which they have no control. On the one hand, refugees may be affected by sudden changes in the regulatory framework that governs the conditions of their settlement. For example, one of the government measures adopted to contain the coronavirus crisis targeted refugees specifically: *“Before COVID-19, up to 70 per cent of our permanent customers were refugees, but now that they are not allowed to leave their camps they only constitute 5 per cent of our customer base”* (FGD host employers, male, May Tsebri). On the other hand, they are more vulnerable to external shocks, as they are not fully integrated in labour markets, rely predominantly on remittances (which are sensitive to external shocks) and do not have a stable income. This means that, in times of crisis, their purchasing power may be drastically reduced, leading them to prioritize the products they buy. Therefore, in order for host communities to be able to reap the benefits of refugees’ presence and close proximity to host towns, restrictions on refugees’ right to work must be loosened and reforms must be enacted so as to boost their economic self-reliance, particularly in times of economic instability. Such support measures towards achieving refugees’ fully fledged integration in the labour market can also help pre-empt the rise of resentment from host communities vis-à-vis refugees.

Registration status

The data collected shows that registered enterprises outweigh unregistered enterprises in Tigray: 79 per cent of surveyed enterprises declared themselves as registered against 21 per cent unregistered enterprises. Yet, it is important not to jump to rapid (and perhaps erroneous) conclusions. This phenomenon can be explained in two ways, notably using qualitative evidence. On the one hand, determining whether an enterprise is registered does not give us a lot of information on the nature of the contracts offered to employees. Indeed, an enterprise may be working formally but still employing informal workers for certain business operations, allowing it to minimize its costs. On the other hand, the percentage of unregistered enterprises might be under-represented. In fact, many informal enterprises are owned by refugees who might feel reluctant or anxious to be documented, as ongoing legislation does not allow them work or own a business.

Quantitative findings help depict the informal sector’s main attributes: the data suggests that refugees and women have a higher propensity to own unregistered businesses than hosts and men respectively. Indeed, 53 per cent of refugee enterprises and 29 per cent of women-owned businesses operate informally compared with 8 per cent of host enterprises and 15 per cent of men-led businesses.

► **Table 9. Registration status and company profile**

	Registered	Unregistered
Total (n=232)	79%	21%
Hosts (n=166)	92%	8%
Refugees (n=62)	47%	53%
Women (n=94)	71%	29%
Men (n=138)	85%	15%

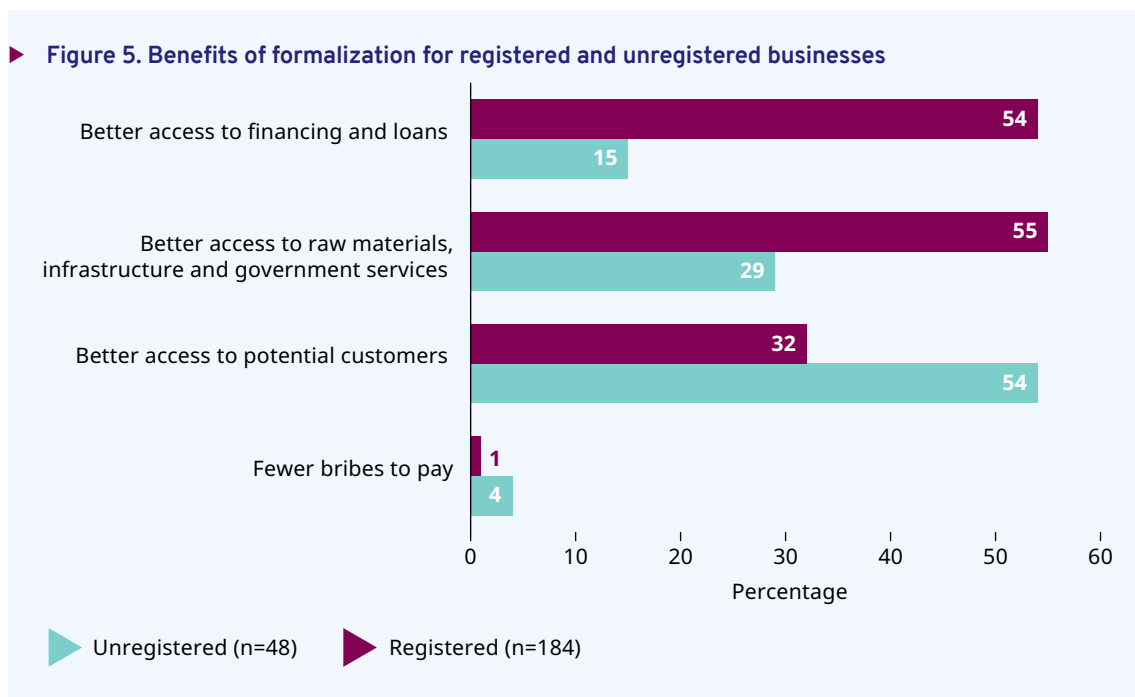
Several respondents from the host community explained that over the last two to three years, refugees have been given more freedom in terms of movement and economic engagement. As a result, an increasing number of refugees have started businesses, such as shops, cafeterias and coffee houses, barbers and beauty salons. Yet, the majority of those enterprises operate in the informal sector. Since refugees are not allowed to obtain business licences, their enterprises are not formally registered. Qualitative findings help shed light on the prevalent informality of refugee businesses. Despite the new proclamation on their right to work and Ethiopia's commitment to translate into practice the provisions stipulated under the Comprehensive Refugee Response Framework (CRRF), refugees still face severe limitations to their capacity to create and register their businesses. A makeshift solution refugees use in lieu of formal registration is to declare their business activity to the camp administration, involving refugee associations. However, many refugees do not go through this process, because they are not aware of the advantages they would get from it, if any.

Overall, the two main reasons put forth by businesses for not being registered are the lack of benefit from being registered (22 enterprises out of 48) and the lack of information about the registration process, including where to register (15 enterprises out of 48). Interviewed respondents underscored the ease of obtaining a business licence, thereby contradicting assumptions that the primary reason for not being registered is the complexity of administrative processes: *"In general, the process is easy. In the past we had to travel to Shire to get a licence but now we can get it here."* (FGD self-employed hosts, female, May Tseabri). Importantly, fiscal reasons (paying taxes as a counterpart of being registered) were only cited by 3 respondents out of 48 as a reason for not being registered. This critical finding should be used to guide policymaking on formalization, as it shows that efforts should be placed on advocacy and awareness-raising activities, rather than on the procedural aspects of registration. In addition, measures such as the creation of one-stop shops for registration can also serve as drivers for formalization.

An equally interesting exercise is to disaggregate the reasons for not registering by gender. Gender-disaggregated findings show that, while the main reason for not being registered remains the lack of visible benefits of formalization for both men and women, women entrepreneurs are more likely to pinpoint the lack of information as another major obstacle, with 41 per cent of unregistered female-led enterprises stressing this reason compared with only 20 per cent of men. This could suggest that women have a harder time obtaining the right information on formalization than men. An initial assumption that is debunked by the data is that unregistered businesses are more likely to encounter resistance from other market actors to engage with them for business purposes. Indeed, it can be concluded from the data that no correlation exists between registration and the propensity of market actors to partner up with businesses.

Finally, it is also noteworthy to examine how registered and unregistered businesses perceive registration and the advantages it holds for enterprise performance and productivity. A major finding unveiled by the data is the prevalence of misconceptions on the benefits of registration in the Tigrayan labour market. For registered enterprises, better access to finance as well as better access to raw materials and support services are deemed to be two chief benefits of being registered. Meanwhile, unregistered enterprises view better access to potential customers as the prime benefit of formalization. These preconceived ideas gravitating around formalization imply a pressing need to bolster awareness raising around this topic, especially among women entrepreneurs, as indicated previously. Figure 5 also challenges part of the conventional wisdom around formalization: it shows that unregistered enterprises do not have to resort

to corrupted practices to keep operating informally, as a very small percentage consider diminished bribing as a benefit of formalization. This is corroborated by a substantial proportion of unregistered enterprises (90 per cent) that claim they do not need to use bribes as a device to remain unregistered.



Recruitment

The three most prominent ways of finding an employee across all surveyed enterprises are to contact the owner's family or friends, to contact employees' friends or to hire someone who approached the enterprise on their own. This has strong implications in terms of project implementation, as formal and traditional actors might not be the only entry points to consider. Disaggregating preferred recruitment strategies by defining owner characteristics offers interesting insights. First, the data shows no real differences between host and refugee enterprises when looking at the three preferred hiring practices, but we do find that refugees are slightly less likely to contact employee relatives, owing to the fact that employed refugees may have settled in Ethiopia without their extended family. Nonetheless, a stark contrast can be noticed regarding the enterprise's propensity to recruit new employees through formal job announcements. Although only a limited percentage of host enterprises resort to formal job postings (19 per cent), it appears that refugee-led enterprises simply do not hire new employees based on formal mechanisms. Data disaggregated by registration status indicates a similar pattern with no informal enterprise hiring new employees based on formal recruitment processes. This comes out as no surprise since, as explained in the previous section, registration status and ownership structure are two intertwined explanatory variables with refugees being largely over-represented in the informal sector in comparison to hosts. Likewise, women business owners are less likely to recruit based on formal job openings than men (6 out of 94 compared with 25 out of 138) and they are slightly more likely to use their personal network (contacting friends and family) for hiring purposes than their male counterparts.

► **Table 10. Enterprises' recruitment channels**

How to find employees	Friends of employees contacted	Relatives of employees contacted	Family or friends of the owner contacted	Somebody approaches the workplace in search of a job	There is an official job announcement
Total (n=232)	27%	16%	42%	23%	13%
Hosts (n=166)	28%	20%	42%	25%	19%
Refugees (n=62)	26%	5%	44%	19%	0%
Registered (n=184)	28%	17%	41%	24%	19%
Unregistered (n=48)	23%	13%	46%	21%	0%

Putting recruitment practices into perspective, especially with regards to the criteria business owners deem to be the most important for shortlisting candidates, can provide insight into labour market dynamics and existing bottlenecks for matching supply and demand. It appears that the two major candidate selection criteria are work experience and possession of professional skills, followed by age and gender. Work experience and professional skills, which may be considered as more objective selection criteria to assess a candidate's good fit, are more important in the eyes of registered entrepreneurs. This mirrors previous preliminary conclusions that only registered enterprises claim to resort to formal recruitment procedures (although personal networks remain their main recruitment channel). The dynamics governing recruitment practices thus suggest that it may be harder for individuals to find a job in a registered business as they are faced with two major constraints: on the one hand, the widespread informality of recruitment that favours personal connections to formal applications and, on the other hand, the strict hiring prerequisites used to identify the right candidate.

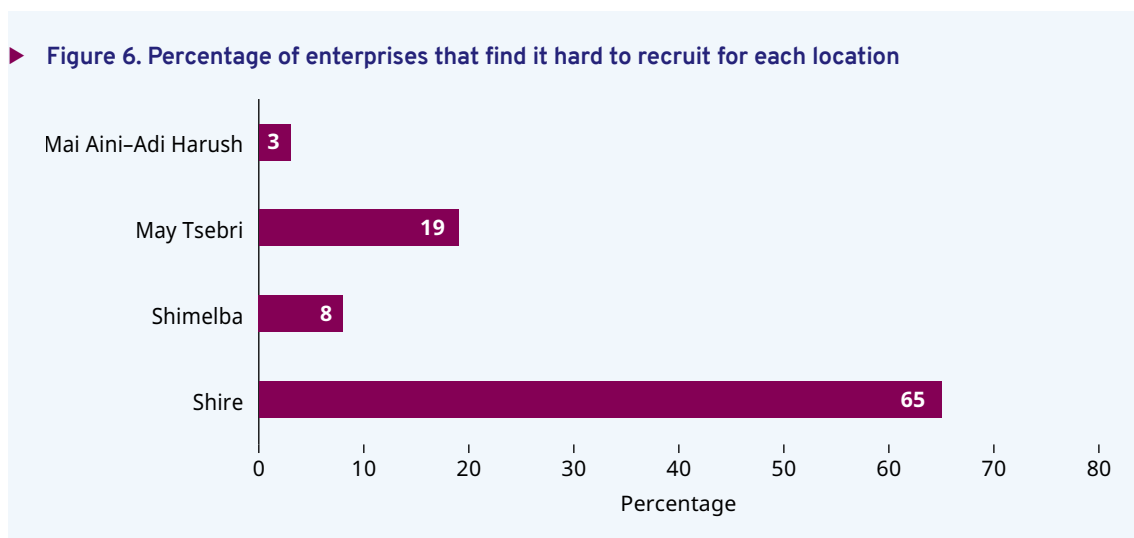
Meanwhile, unregistered firms seem to favour first and foremost gender as a key selection criterion, closely followed by work experience and professional skills. This suggests that informal businesses favour personal attributes, which may lead candidates to be subjected to discriminatory recruitment practices. This might be reinforced by the fact that many of these jobs are mainly low skilled, meaning that candidates' competencies are not a critical criterion for selection. The fact that personal connections are often central in recruitment practices, as mentioned above, can also explain the importance of personal attributes. Moreover, because unregistered businesses also closely examine a candidate's work experience and professional skills to a similar extent as formal enterprises, while not deploying formal recruitment processes, being hired by an informal business can also prove to be challenging.

When comparing selection criteria among host and refugee communities, refugee businesses are shown to have a higher propensity to select future employees based on the relation they have with them than hosts. Meanwhile, hosts consider work experience as the most decisive criteria, and they do so to a much larger extent than refugees (60 per cent of hosts stressed the importance of work experience compared with merely 26 per cent of refugees).

► **Table 11. Recruitment selection criteria**

	Work experience	Professional skills	Age	Gender	Relation to owner
Total (n=232)	51%	43%	26%	25%	12%
Hosts (n=166)	61%	45%	27%	23%	7%
Refugees (n=62)	26%	40%	23%	29%	24%
Registered (n=184)	56%	46%	26%	21%	12%
Unregistered (n=48)	33%	33%	27%	38%	13%

The previously mentioned demand-side constraints on recruitment – the prevalence of informal recruitment practices, which are largely based on the employers’ personal network, and the weight of work experience and skills to measure a candidate’s qualification – translate into negative impacts on the supply of labour. Indeed, it is more difficult for host enterprises to find new employees than for refugee enterprises: respectively 65 per cent and 19 per cent of enterprises in host towns Shire and May Tsebri struggle to recruit compared with only four refugee enterprises. To a large extent, host enterprises attribute this difficulty to employees not having adequate work experience and employees not having the required skills (figures for May Tsebri are 80 per cent and 73 per cent for each of these reasons, respectively). However, another major difficulty hindering recruitment is that enterprises themselves cannot meet the high salaries that employees demand. One could assume that such high salaries are sought for by skilled workers, indicating another type of mismatch between supply and demand. In Shire, 52 per cent of enterprises that are faced with difficulties in finding new employees attribute this to unaffordable salary requests. Overall, this leads to conclude that, when enterprises cannot find new employees, it is because they find themselves stuck in a delicate in-between: applicants are either under-qualified if they cannot meet the expectations of employers, especially registered host enterprises who may set the bar higher than unregistered refugee enterprises, or over-qualified for the position they are trying to fill if their skills level (and associated salary requests) outstrip the specific job requirements.



Finally, it is also interesting to examine the reasons why entrepreneurs are inclined to hire women. As previously explained, gender appears to be an important selection criterion (25 per cent of total respondents mentioned it as such). Thus, it may be insightful to analyse how this criterion plays out in favour of women. Moreover, looking at the drivers for recruiting women employees also helps counterbalance existing evidence indicating that women are generally less economically active than men in Ethiopia.⁵⁵ Comparing the three most cited advantages of hiring women between host and refugee businesses reveals some discrepancies. While hosts consider women to be hard-working and motivated, to work for longer hours and to rarely complain, refugees particularly cite their capacity to work for lower wages, in addition to their hard work and motivation, their qualification and their capacity to perform tasks that men cannot complete. This sheds light on the nature of refugee businesses, which are generally less profitable than host businesses as they are based on subsistence activities. Interestingly, the data also discloses that another advantage for hosts to hire women is that they demand fewer benefits (16 per cent) compared with only 3 per cent of refugee respondents who chose this answer. This can be indicative of the fact that this option may seem irrelevant for refugee enterprises, which simply do not offer social protection to their employees as they largely operate on an informal basis. Gender-disaggregated data also reveals some interesting patterns. While men seem to value reasons formulated using negation (“women do not complain”, “they demand fewer benefits”, and “they work for lower wages”), women

55 Central Statistical Agency (CSA), “Statistical Report on the 2018 Urban Employment/Unemployment Survey (UEUS)” (Addis Ababa: Federal Democratic Republic of Ethiopia (FDRE), Ministry of Finance and Economic Development, 2018).

on the contrary appreciate positive aspects related to their peers' qualification and skills: respectively 33 per cent and 30 per cent of women business owners recognize women's hard work and commitment, sometimes evaluated based on the hours they work, as the main reasons for hiring them.

► **Table 12. Advantages of hiring women**

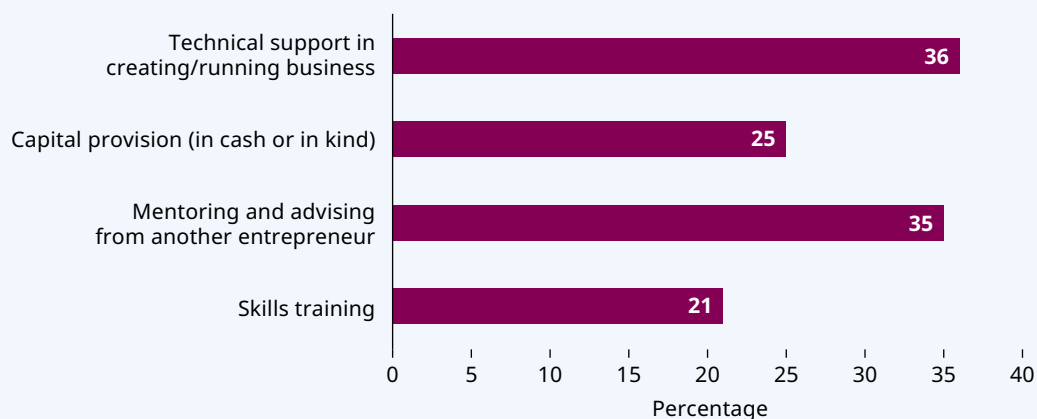
	Hard-working and motivated	Better qualified	Work for lower wages	They do not complain	Work for longer hours	They can perform tasks men cannot do	They demand fewer benefits
Total (n=232)	29%	17%	21%	19%	23%	14%	13%
Hosts (n=166)	30%	16%	20%	23%	25%	11%	16%
Refugees (n=62)	26%	19%	23%	8%	18%	19%	3%
Women (n=94)	33%	22%	20%	16%	30%	21%	11%
Men (n=138)	26%	13%	22%	21%	19%	9%	15%

Support services and business network analysis

Overall, support services for businesses are limited, if not inexistent, and provided by institutions with low capacity and resources. When pressed about organizations providing support and information to economic actors, respondents mentioned only local government offices, often without being able to provide further detail on their exact mandate. At the woreda level, the small and micro enterprises office is the main entry point for companies seeking support and information. In addition, the woreda administration also includes sectoral offices, who can provide information to private companies operating in their sectors. The services provided by government offices range from provision of information regarding the legal framework and procedures, support in accessing loans provided by microfinance institutions and selection of companies or individuals for skills training programmes. As a matter of fact, local authorities often play an intermediary role when companies seek access to finance or training, which can lead to co-option, as discussed later in this report. The qualitative data showed that support to businesses is an area yet untouched by private actors, and where significant Improvements are needed.

It appears that more disadvantaged groups, such as informal businesses, women and refugees, are significantly less likely to benefit from support services to create or grow their businesses. Indeed, when asked about the most pressing support needed to further develop their business activity, several refugees in Shimelba highlighted the need for business management training, while noting the lack of market information as another key impediment. Lack of access to support services tends to make refugees and other disadvantaged groups even more vulnerable to external shocks and limits their ability to generate sustainable livelihoods from their business. On top of that, only 41 per cent of enterprises receive support to start and develop their businesses, and the assistance provided may not be adequate to their needs. Indeed, the most popular support service received is technical support, such as legal assistance and accounting (36 per cent out of the 97 entrepreneurs who received some form of assistance highlighted this support service), closely followed at 35 per cent by mentoring and advising from another entrepreneur. With only 25 per cent of entrepreneurs who received support being provided with additional capital, a discrepancy is noticeable between what entrepreneurs identify as their main challenge to business creation and growth (lack of access to capital) and the support they benefit from. Skills training is also lacking, with only 21 per cent of entrepreneurs who received support benefiting from such assistance.

► **Figure 7. Types of support services received**



When examining existing linkages between enterprises and other types of community-based organizations, it is striking to note that entrepreneurs have a high propensity of belonging to associations and savings clubs while only a very small percentage of them (5 per cent overall) are members of cooperatives. This signals a gap in the business ecosystem that can be filled out through awareness-raising on the benefits of cooperatives and technical assistance on how to set them up. At the same time, registered and host enterprises are significantly more likely to adhere to an association or a savings club than unregistered and refugee enterprises. To exemplify this, 52 per cent of host entrepreneurs belong to a savings club compared with only 2 per cent of refugee entrepreneurs. This drastically low figure can appear surprising given that refugees are not allowed to access formal financial institutions, implying no access to formal savings accounts. This contradicts the assumption according to which refugees would likely compensate for the lack of access to finance by joining informal saving groups. This has strong policy implications as it suggests that restrictions on refugees' access to finance should be lifted and efforts should be made to foster their financial inclusion, all the more that they may not have sufficient financial resources to develop alternative, solidarity-based financing devices. Also noteworthy is that while men entrepreneurs are more likely than women to be involved in a savings club, the same proportion of men and women entrepreneurs claimed belonging to an association.

► **Table 13. Linkages to other actors of the labour market ecosystem**

	Associations	Cooperatives	Savings club
Total (n=232)	31%	5%	38%
Registered (n=184)	44%	5%	45%
Unregistered (n=48)	13%	4%	13%
Hosts (n=166)	34%	7%	52%
Refugees (n=62)	21%	2%	2%
Men (n=138)	31%	8%	44%
Women (n=94)	30%	1%	29%

► A sectoral focus: analysing sesame production and mining in Tigray

Sesame case study

Ethiopia is one of the world's largest producers of sesame, after Myanmar, India, China, Sudan and Uganda.⁵⁶ Sesame production benefits from a high export potential, ranking Ethiopia as the third biggest exporter of sesame seeds in the world and ensuring sesame harvesting a nationwide reputation as the country's second most exported commodity after coffee. Sesame production and sales on international markets have largely contributed to Ethiopia's economic growth. Indeed, returns from sesame export increased from US\$66 to 427 million between 2002 and 2012, and sesame's contribution to the country's gross national income increased from 6.7 per cent to 13.8 per cent during the same time frame.⁵⁷

Ethiopia owes this remarkable increase in earnings from sesame production to the development of extensive sesame value chains across different regions, involving the participation of a wide range of economic actors, from primary producers to end-buyers. The Tigray region's Humera district is one of the most prosperous for sesame production. Indeed, about 30 per cent of the country's overall sesame production comes from the Humera district.⁵⁸ Its meteorological characteristics, its natural endowments, and its strategic location in proximity with several markets for export are some of the factors that help explain why sesame production gained ground in the Tigray region specifically. When asked about the region's wealth in terms of natural resources and agricultural outputs, various respondents insisted on the region's potential for cultivating high-value cash crops such as sesame. One respondent described the Humera district as a "strategic place" thanks to the presence of the Tekeze River, which implies "access to water for crop cultivation and better yields" (KII, EFFORT Agricultural Mechanisation, Humera). Another of the Tigray region's key features is that it is at a crossroads between the Amhara region, Eritrea and Sudan, thereby offering notable opportunities for regional trade and export. Despite the Tigray region's critical role in placing Ethiopia among top sesame producers, farmers still face impediments along the value chain that prevent them from securing higher earnings and undermine their livelihoods.

In order to better understand the functioning of the sesame value chain in the Humera district, a value chain analysis can prove useful. The ILO defines a value chain as "the full range of activities that are required to bring a product or service from conception, through the intermediary phases of production and delivery to final consumers, and final disposal after use".⁵⁹ Analysing a value chain therefore implies examining the different activities that it encompasses such as production, processing, marketing and distribution to final consumers. Nonetheless, identifying the systemic constraints and bottlenecks that hinder the value chain's growth, and more particularly inclusive growth, is also crucial to depict a complete picture and consolidate the analysis. Ultimately, value chain analysis should offer cues into possible recommendations that could be implemented to address these constraints and improve the value chain's performance for the poor.

As shown in the visual below, the Humera sesame value chain is composed of four major actors: input suppliers, producers, traders, processors and exporters.

56 Mengstu Berhe Gebremedhn et al., "Value Chain Analysis of Sesame in Humera District, Tigray, Ethiopia", *Cogent Food and Agriculture*, 17 December 2019.

57 Ibid.

58 Ibid.

59 ILO, "Value Chain Development for Decent Work", 2016.

Input suppliers

The inputs needed the most in the sesame value chain are improved seeds, fertilizers and credit. While the Bureau of Agricultural and Rural Development (BoARD), the Humera Agricultural Research Centre (HuARC), and the Sesame Business Network (SBN) are the main seed providers, farmers predominantly use recycled seeds put aside from previous harvests. This traditional agricultural practice is based on farmers' belief that using local sesame varieties generates higher yields, as they are better adapted to local conditions. Research also shows that fertilizers and pesticides have not been widely adopted. The government generally channels them to farmers through cooperatives by selling them at a higher price than the one offered on the market. Humera town has therefore witnessed the rise of private input dealers who sell pesticides to farmers directly, sometimes on credit.

The Dedebit Credit and Savings Institution (DECSI) is the main microfinance institution in Humera and primary credit provider. Yet, loan provision conditions do not seem to meet the needs of sesame farmers: loans are too small to allow farmers to bear the costs of sesame production, which encompasses input purchase, land preparation and harvesting, and they can be tied to inflexible conditions such as the presence of a financial collateral (as in-kind collaterals do not qualify in Ethiopia) and a consistent repayment history. These restrictions make it hard for small-scale farmers with limited earnings to apply for loans from formal bank institutions, such that some farmers resort to alternative financing mechanisms.

Producers

Small-scale farmers constitute the large majority of sesame producers in the Humera district, commercial farmers representing only 18 per cent of the country's total sesame production according to the Central Statistics Agency's agricultural survey for 2017–2018.⁶⁰ In most cases, farmers use traditional farming techniques, and the adoption of mechanization remains sparse. Sesame farmers usually sell their yields to cooperatives or local traders, and only those who are able to produce in bulk can sell their produce to exporters directly.

Traders

Gradual reforms have been enacted by the Ethiopian Government to better regulate the country's stock market, the Ethiopian Commodity Exchange (ECX), and gave ECX full discretion over sesame export. Today, ECX acts as the sole collector of sesame and the unique outlet for exporting the commodity on global markets. As such, farmers sell their produce to local traders and farmers' cooperatives, which then act as the middlemen between producers and the export market.

Processors and exporters

Processors and exporters are located in Humera town and Ethiopia's capital city, Addis Ababa. They are responsible for cleaning the sesame stocks they receive and preparing them for export. However, sesame processors are not well equipped to properly complete this task, thus undermining the sesame's quality and rendering sesame sales on international markets less competitive. This suggests a need for capacity-building and technical support to improve sesame processors' skills and techniques. This would allow sesame to gain additional value before being sold on international markets and increase its returns to the country's economy.

While significant gaps exist at the processing stage, a success story of a sesame oil producer based in Sheraro stands out: *"After harvesting, the crops are sent to the city. They will be weighed there, and ordinary people can buy it from traders or businesspeople. Some ordinary women also buy sesame seed from different sources and bring them to me for processing, and then they sell it to different cities in Ethiopia. We also have*

⁶⁰ Further Africa, "Opportunities to Boost Sesame Production in Ethiopia", 29 May 2020.

some customers too; they come here to buy sesame oil. Everybody knows the quality of our oil, even they told us our oil is best.” (CS, Oil Seed and Sesame Production, Sheraro). This excerpt exemplifies the interlinkages that exist along the sesame value chain. In this case, this own-account worker manages different activities: sesame cultivation and harvesting, oil extraction from sesame seeds for himself as a business owner, and oil extraction and sesame processing for others. This suggests the importance of processing sesame crops to sell high-value products on local and export markets that guarantee higher economic returns.

Gaps in the sesame value chain

The sesame production sector offers opportunities for growth and job creation. As previously mentioned, commercial farms only represent a small proportion of total sesame producers and smallholder farmers, who are responsible for the bulk of sesame production, continue to use traditional cultivation techniques that limit yields levels. Investing in the development of commercial farms geared towards export, training farmers on the use of advanced harvesting techniques, including crop protection and disease prevention, as well as supporting the intake of high-yielding sesame varieties, should help increase sesame earnings and meet the growing international demand for sesame-derived products.⁶¹ Ethiopia’s Agricultural Transformation Agency based in Addis Ababa is currently concentrating its efforts on supporting high-potential commodities such as sesame.

“When farmers are interested in aggregating their lands to plough together, we provide them with inputs such as improved seeds and extensions services. After harvest, we offer them storage warehouses. We also link them with global markets including with Israel. Basically, we help farmers all along the value chain, from production to marketing.” (KII, Agricultural Transformation Agency, Addis Ababa)

Another major gap in the Humera district’s sesame value chain is its weak post-harvest management and storage system.⁶² This is particularly due to scant storage facilities and inadequate transportation capacities. This loophole pushes farmers to engage directly with local traders and forces them to sell their produce straight after harvest at a lower market price than the one they could aim for by selling the commodity during the off season. Bridging this gap can help improve farmers’ bargaining power vis-à-vis local traders. They can also minimize crop losses due to post-harvest or storage deficiencies, thereby allowing them to secure a higher income. Overall, addressing existing constraints in the sesame value chain does not only contribute to promoting farmers’ livelihoods but also participates in achieving more inclusive growth: *“Investments in the sesame value chain will undeniably benefit disadvantaged groups, namely youth, women and refugees, who are active in harvesting and post-harvest management.”* (KII, Agricultural Transformation Agency, Addis Ababa). Working more closely with the Agricultural Transformation Agency can offer a potential entry point to bolster sesame production and strengthen market linkages across the sesame value chain. Based in Addis Ababa, ATA enjoys a close proximity with federal government agencies as well as international organizations and can help build partnerships for increased farming productivity in the Shire area. Its expertise on mechanization and high-yielding farming techniques can be further harnessed.

Mining case study

Ethiopia is a resource-rich country, and its untapped mineral wealth offers opportunities for economic growth, diversification away from agriculture and increased exports in line with the country’s export-oriented growth strategy. Gold and tantalum reserves, among other mineral deposits, are present in the South, West and North, making Tigray one of the prime regions for mineral exploitation. As the country’s mining sector is still at the exploration phase, recent figures dating from 2016–17 indicate that mining represents less than 1 per cent of the GDP, contributes less than 1 per cent to government revenues and provides employment to approximately 4,000 people if only considering those employed by mining

61 Ethiopia’s three major export destinations are Israel, China and the United Arab Emirates which account for respectively 28, 18 and 13 per cent of the country’s total exported volume in 2020. See: Further Africa.

62 World Bank, “Ethiopia Economic Update: The Inescapable Manufacturing-Services Nexus” (Washington, D.C., 2018).

companies.⁶³ However, when taking into account artisanal and small-scale mining, the figures can go up to 300,000 people engaged in the mining industry and between 5 and 7 million people who depend on mining for their livelihood.⁶⁴

Since 1991, Ethiopia has paved the way for private investors to boost mineral exploration and production. The most recent Mineral Operations Law adopted in 2010 confirms the country's desire to open up the mineral industry to foreign direct investment and create a conducive environment for private mining companies.⁶⁵ It recognises mining's potential for economic development and seeks to align Ethiopia's regulatory framework on mineral exploitation with international best practices to encourage investor confidence. Located in the Horn of Africa, Ethiopia is also strategically positioned to attract foreign investment from Europe, Asia, and Australia.⁶⁶ While the extractive industry earned US\$618 million from mineral exports in 2011–12,⁶⁷ its contribution to the country's overall exports is today estimated at 14 per cent.⁶⁸ If it continues to benefit from private investment and government support, the mining industry could generate up to US\$2 billion by 2024.⁶⁹

The Tigray regional state is endowed with rich mineral reserves, including gold and other non-metallic minerals such as gypsum and marble. While the region's mining sector is mainly made up of small-scale mining companies and artisanal mineworkers, a large-scale mining collaboration between Newmont Mining Corporation (US-based gold mining company) and Ezana Mining Development (Ethiopian company based in the Shire area) stands out. A respondent from the Ezana Mining Development company explained that jobseekers, especially unemployed youth, find their motivation to engage in the mining sector in the assumption that it generates higher income than other economic sectors: *"many people in the area get practically rich and build large buildings and hotels from working in the sector. This has created aspirations for many people."* (CS, Ezana Mining Development PLC, Tigray).

In addition to individuals working for mining companies, the respondent describes two types of work arrangements in the mining sector. First, informal or artisanal miners who come from different parts of Tigray, especially the Western and Central zones, and settle in the region to work as daily labourers: *"informal workers build tents around their workplace and cook food for themselves"* (CS, Ezana Mining Development PLC, Tigray). They refer to themselves as *jemien*, or workmates, and repeat the same mining activities (that is, soil excavation and gold refining) until they have refined enough gold to live off their earnings for a short period of time. Individual miners can include refugees, notably those settled in the surroundings of May Tsebri. There are an estimated 130,000 artisanal miners in Tigray and approximately 45,000 are organized in 600 mining cooperatives, which fall under the purview of the Regional Bureau of Water, Mining and Energy (BoWME).⁷⁰ In 2012, Tigrayan artisanal miners had supplied the National Bank of Ethiopia with 1,900 kg of gold. At the same time, local governments provide training to unemployed young residents through public institutions such as the BoWME or higher learning institutions such as TVET colleges and offer them two to three years contracts to work in mining cooperatives. This programme is intended to create employment opportunities for unemployed youth who can then start their own business following their mining experience: *"The positive aspect of this work is that it has created jobs for many young people in the region. Sometimes, they earn a lot of money."* (CS, Ezana Mining Development PLC, Tigray). While the recent Mining Operations Law comprises provisions on health and safety matters, the respondent contends that occupational safety and exposure to work-related hazards continue to be major challenges both for artisanal miners and for mining cooperatives, despite the latter being under the supervision of local government agencies.

63 Extractive Industries Transparency Initiative, "Ethiopia Profile", 2021, <https://eiti.org/ethiopia>.

64 Ibid.

65 Yohannes Yihdego et al., "Mining Sector Challenges in Developing Countries, Tigray, Ethiopia and Inspirational Success Stories from Australia", *International Journal of Mining and Mineral Engineering* 9, No. 4 (2018): 321.

66 Ibid.

67 Ibid.

68 Extractive Industries Transparency Initiative.

69 Yihdego et al.

70 Yihdego, Y., et al., "Mining sector challenges in developing countries, Tigray, Ethiopia and inspirational success stories from Australia".

With the mining industry contributing less than 1 per cent to the Ethiopian economy, and minerals other than gold and tantalum constituting a small share of the country's mineral production, the Tigray region has room to further explore and exploit mineral resources. Yet, it should aim to expand its extractive industry in a socially inclusive and environmentally responsible way. Workers who benefited from cooperative mining contracts have a higher income, long-term visibility and a higher tendency to save their earnings for productive spending. Meanwhile, informal miners *"don't use the money they earned efficiently; they just spend it on alcohol and get back to mining when they don't have money any more."* (CS, Ezana Mining Development PLC, Tigray). The respondent claims that this reckless behaviour can be attributed to lack of awareness and supervision. To address the precarious employment conditions of informal miners, including refugees, the regional bureau could generalise its job creation programme to other population groups beyond unemployed youth and permanent residents, contributing by the same token to the mining industry's development.

While low-skilled artisanal workers engage in the mining industry to ensure their livelihoods, foreign mining companies operating in the region also suffer from a lack of expertise and skilled labour force.⁷¹ This forces them to recruit international consultants rather than to hire workers from the local population. Training provision, capacity-building of public institutions with an oversight and training mandate, and the enforcement of occupational safety and health measures are some steps that can be taken to power the mining industry by training and attracting skilled workers. Although the 2010 Mining Operations Law provides for the implementation of regular environmental impact assessments, neither the federal government nor the Tigray regional state have explored ways to turn the legal provision into practice.⁷² There is a strong need for adopting a more comprehensive framework on mineral exploration and production that accounts for both the social and environmental dimensions.

► Emerging sectors for business development and job creation

Enterprises in the construction and manufacturing sectors as well as in the service industry have been hit particularly hard by the coronavirus pandemic compared with those operating in the wholesale and retail sector. Keeping in mind that sample sizes vary widely across economic sectors, the data shows that around 45 per cent of enterprises in the construction and service sectors have stopped recruiting, as opposed to 26 per cent of enterprises working in trade activities. Yet, when looking at entrepreneurs' level of confidence that their business is resilient enough to overcome the economic crisis, the data suggests that up to 58 per cent of business owners are confident and only 22 per cent claim to lack confidence. Disaggregating this data by ownership structure, the data reveals no significant difference in confidence levels between host and refugee enterprises (60 per cent versus 53 per cent). This is to be crossed with previous findings on entrepreneurs' prospective perception of their business operations and growth potential. While the large majority of business owners claimed that they were working less than a year ago (84 per cent), 24 per cent were confident that, in the upcoming year, they would have more work, 14 per cent claimed that the workload would be the same, and 32 per cent believed that the workload would decrease.

To have an idea of sectors with high potential for growth and business creation in the Tigray region, businesses were asked to provide insight on which traditional sectors they thought would gain importance in the next two years and which niche sectors they thought would emerge on the market.

71 Ibid.

72 Ibid.

Table 14 provides a summary of the main traditional and emerging sectors identified when examining their answers to these open-ended questions. Nonetheless, it is important to highlight that only 76 respondents out of 232 were able to give an answer about emerging sectors. Based on the summarized data, three traditional sectors stand out: the food industry with 41 answers, the manufacturing and construction industry with 24 answers, and the agricultural industry with 16 answers. In terms of emerging sectors, an interesting finding is the shared perception that the production of protective equipment and sanitary products will be on the rise as an outcome of the COVID-19 crisis.

► **Table 14. Promising sectors for business creation and growth**

Sectors	Number of answers	Opportunities	Challenges
Traditional sectors (n=134)			
Food suppliers (restaurants, supermarkets, etc.)	41	Potential for self-employment or wage employment opportunities accessible to women and youth, including Eritrean refugees present in the area; limited number of skills required that can be obtained through rapid training	Requires access to capital and initial training; limited attractiveness in the host community
Manufacturing and construction	24	Dynamic sectors with a high contribution to employment, limited number of skills required, accessible to refugees;	Low attractiveness, especially in the host community; precarious working conditions; low wages.
		COVID-19 presents an opportunity to develop new manufacturing activities, such as PPE production contributing by the same token to workplace safety in the construction sector	Specific to the construction sector: high number of temporary jobs
Agriculture	16	Resources available locally, potential for growth and access to regional, national and/or international markets Potential to work with local stakeholders such as ATA for modernisation of farming techniques and rural diversification	Limited attractiveness for the youth, capital and skills required
Wholesale and retail	10	Dynamic and attractive sectors providing opportunities for both self- and waged employment; strategic geographical location	Requires capital; poor infrastructure; trade across international and regional borders affected by conflict and instability
Emerging sectors (n=76)			
Protective equipment and sanitary products	12	New opportunities at the local level and potential access to regional and national markets. Opportunity to combine PPE production with awareness-raising on occupational safety and health measures	Skills and raw materials required, limited local demand, opportunities might be temporary
Online services	8	High potential for development, opportunity to attract youth and recent graduates. Long-term prospects given the health pandemic and implications for remote activities	Poor connectivity, underdeveloped infrastructures
Agriculture	7	Resources available locally, potential for growth and access to regional, national and/or international markets	Limited attractiveness for the youth, capital and skills required
Entertainment	5	High potential for development, interest of the youth; high demand	Requires capital; high competition at the local level; poor infrastructure (electricity, connectivity)
Hospitality and wellness	3	Dynamic sector with a high contribution to employment, accessible to the youth and women, including refugees	High competition at the local level, requires capital and skills

A deep dive into some of these sectors and their potential for economic growth, job creation and business development can prove useful. To do so, the aforementioned quantitative data has been triangulated with qualitative findings and a substantial desk review. In addition, regional evidence for Tigray will be put into perspective by looking at broader trends on economic sectors with high-growth potential at the national level. Crossing these different levels of analysis should help achieve a more comprehensive picture, distinguishing the promising industries that will need further support to bear fruit.

Food supply chains and agriculture

In the wake of the coronavirus pandemic, addressing food supply constraints is of utmost importance. As countries went on lockdown, halting local food processing and supply activities, and temporarily closed their borders, they became more at risk of failing to meet their population's basic food needs. In paving the way out of the crisis, efforts at both the regional and federal levels need to be placed on strengthening food supply chains and ensuring their continuity from producers to export markets.

To this day, the agricultural sector remains one of the most prominent in Ethiopia, employing a great share of the population and contributing to a large extent to the country's national economic growth. Despite the development of an ambitious industrial policy and targeted investments in sectors such as construction and manufacturing, agriculture, 67 per cent of Ethiopia's population was engaged in subsistence agriculture in 2018.⁷³ As explained in the previous section, smallholder farmers continue to dominate the agricultural sector and the intake of modern cultivation methods remains weak. In addition, Ethiopia struggles to diversify its rural economy and to alter the way it is perceived, namely by youth who regard it as yet another traditional sector they do not aspire to work in. In 2013, rural employment was unequally split up between different activities, amounting to 83 per cent for farming, 12 per cent for services and only 4 per cent for manufacturing.⁷⁴ The pandemic's recovery phase can serve as a window of opportunity to foster greater linkages between the rural economy's agricultural and non-agricultural activities. By bolstering processing and manufacturing activities, raw materials gain value and can further move up the value chain before being exported, which guarantees greater returns to the exporting country.

Transforming the agricultural sector into a high-growth potential industry also requires investing in new, more advanced farming techniques. The Agricultural Transformation Agency (ATA) has been critical in this process.

▶▶ *“ATA has been founded to play a catalyst role in the agricultural sector at the national and regional levels. ATA has been in operation for almost 11 years since its establishment. It has mainly been involved in identifying the strategic bottlenecks of the agricultural transformation and striving to address them. The activities are implemented jointly with the ministry of agriculture and/or regional bureaus of agriculture.”*

▶ KII, ATA Tigray Regional Office, Mekelle

As the interviewee goes on to explain, ATA has promoted cluster-based production through the Farmers Production Centre in Mekelle, thereby pushing farmers to group and jointly cultivate the same crop variety. This organizational method, the respondent contends, serves to increase the adoption of mechanized agriculture. When asked whether she thought this contributed to boosting the agricultural sector's productivity and job creation capacity in the Shire area, the respondent replied: *“I can't articulate the changes exactly, but I can tell you that farmers' tendency to stick to traditional ways is changing as reflected by farmers' growing interest to farm in groups instead of farming individually. Agricultural practices are thus standardized across farmers, resulting in significant improvements of farming yields.”* (KII, ATA Tigray Regional Office, Mekelle). In addition to furthering Ethiopia's structural transformation, such initiatives

73 Job Creation Commission Ethiopia, “Plan of Action for Job Creation 2020–2025”, 2019.

74 Ibid.

are embedded in a broader strategy to convert the Shire area into an agro-industrial zone recognized by international investors. While developing agro-industrial parks will undeniably bring change to the area and increase agricultural outputs, some respondents warn against wishful thinking and note that the process may take longer to materialise: *“There is an agro-industrial park in construction in Baeker. 65 per cent of it is finished, but it will take a while before it becomes operational. Don’t judge by the cover; the agro-industrial park is not a reality, yet.”* (KII, IFC, Addis Ababa). Overall, these recent developments hint at the possible expansion of Tigray’s agricultural sector in the years to come.

Manufacturing and construction

Shifting economic activity from low-productivity to high-productivity sectors equally contributes to Ethiopia’s structural change. This has translated into the implementation of the Growth and Transformation Plan, which is currently in its second phase (GTP II) and intended to run until the end of 2020. The Plan’s main objective is to continue investing in public infrastructure and to turn Ethiopia into a major manufacturing centre. The target Ethiopia set out for itself through GTP II is to achieve an average GDP growth of 11 per cent per year.⁷⁵

In the Tigrayan context, several respondents regarded manufacturing and construction as prosperous sectors with potential for growth. Building on qualitative findings, some tend to think that construction has a higher development capacity than manufacturing. This is notably due to the numerous construction projects Tigrayans witnessed in the past decade.

“The city’s infrastructure has witnessed impressive progress over the last ten years. Construction is booming in the city. The city is surrounded by several woreda; it is surrounded by Zana, Laelay Adyabo, Asged Tsimbla and others. It shows that many people are moving in and out of Shire. As a result, inflation has been higher in this city. The cost of living is the highest next to Mekelle in Tigray region.” (KII, Shire Agricultural Poly TVET College, Shire)

However, as one company operating in the construction sector pointed out, *“construction suppliers such as metal shops and protective equipment producers are not big in Tigray. This is because they exist without training and technical support. They sustain themselves on their own, without external assistance. Therefore, they have no capacity to supply what we are demanding.”* (KII, host business owner in construction, Shire). To address such constraints, appropriate measures should be taken, and support should be channelled to enterprises working in this sector through funding, by offering fiscal incentives for instance, supply-chain development, as well as through investment in public works programmes.

With regards to the manufacturing sector, individual endeavours must be inscribed in a broader industrial strategy intended to support labour-intensive manufacturing, enhance export competitiveness, ensure alignment with global quality standards, and invest in human capital as well as cutting-edge technology. The drive towards the development of industrial parks signals the Government’s priority to expand its secondary industry.⁷⁶ This policy ambition can generate positive spill over effects on regional economic growth, benefiting the Tigray region more particularly.

Propelling the manufacturing sector’s development can also lay the ground for new initiatives to flourish. Several respondents suggested the rise of new manufacturing activities envisaged to meet needs that appeared with the COVID-19 pandemic. For instance, some Tigrayans might want to start out businesses producing protective equipment. Other already established enterprises might want to convert their business operations into the manufacturing of sanitary products. Enterprises specializing in these types of products may want to adopt more eco-friendly practices, by using non-polluting materials, for instance. Overall, it can be concluded that such endeavours will only materialize if backed by supportive federal and regional economic measures.

⁷⁵ World Bank, “The World Bank in Ethiopia”, 13 October 2020.

⁷⁶ UNDP, “Growing Manufacturing Industry in Ethiopia”, n.d., <https://www.undp.org/content/dam/ethiopia/docs/Understanding%20African%20experiences%20in%20formulating%20and%20implementing%20plans%20for%20emergence%20Growing%20Manufacturing%20Industry.pdf>.



▶ 4

Supply side

To fulfil the potential of the promising sectors identified in the Shire area, the supply side of the labour market needs to meet current and also future demands. However, the rapid economic growth in Ethiopia has not created sufficient decent jobs for the growing youth population,⁷⁷ and there is an evident skills mismatch in the Shire area with the supply side not being in a position to react to the dynamics of the demand side. The supply side does not meet the demand effectively because of access barriers for certain groups, unfavourable labour conditions and the limited ability of labour market institutions to coordinate the needs of the market.

To capture the determinants of the labour supply the following section will cover:

1. barriers faced by social groups in accessing the job market and the phenomena of labour underutilization in the Shire area;
2. the intersection of migratory status, age, gender and education in determining access to education and participation in the labour market with a focus on refugee youth and women;
3. the challenges faced by jobseekers when looking for employment;
4. aspirations of the youth and refugees to work in economic sectors, start a business and migrate.

The analysis is based on key findings from the demand survey with 439 respondents, key informant interviews and focus group discussions with employees, jobseekers and TVET students within refugee and host communities in the Shire area.

⁷⁷ Abebe Shimeles, "Growth, Poverty, and Distribution in Ethiopia", in *The Oxford Handbook of the Ethiopian Economy*, by Abebe Shimeles, ed. Fantu Cheru, Christopher Cramer and Arkebe Oqubay (Oxford University Press, 2019), 351–65.

► Accessing the job market

While Ethiopia's economy grew in an unprecedented manner in the past decades and contributed significantly to poverty reduction, it does not create enough decent employment for the increasing numbers of youth entering the labour force and for refugees expecting to receive a work permit in the near future. Ethiopia's labour force, similar to that of other countries in the region, is very young and mainly engaged in the informal sector – patterns which are also observed in Shire area. The collected data confirms national trends and shows that there is labour underutilization with high underemployment as well as higher degrees of informal and temporary/irregular work arrangements for refugees and access barriers for the female labour force which are discussed in the following subsections.

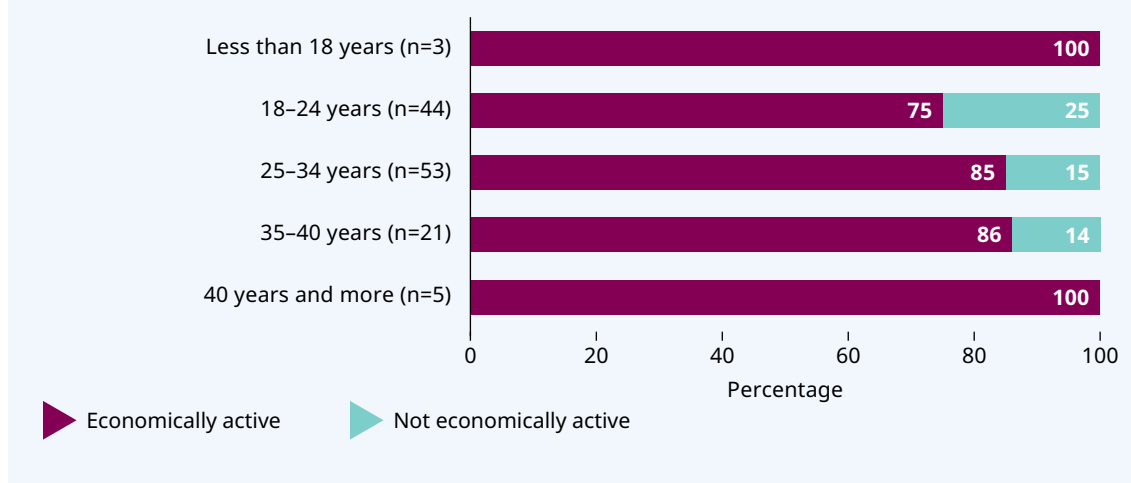
The sample among refugees and host communities in the four different locations shows higher unemployment among refugees, while host communities are more likely to be working as an employee. This is not a surprising result, given that until the recent adoption of the refugee proclamation No. 1110/2019, Ethiopia's legal framework did not allow refugees to engage in any economic activity. Wage employment, property ownership as well as business licences have been inaccessible to refugees, contributing to making them fully dependent on humanitarian assistance. While the legal framework has evolved, new regulations are yet to be implemented and refugees are still unable to get jobs in the formal labour market. The latest available national urban employment statistics from 2018 among the host community in Tigray show that more than half of respondents were economically active, with an activity rate of 56 per cent for women and 70 per cent for men. However, these statistics are very broad in their definition as in the Urban Employment/Unemployment Survey (UEUS),⁷⁸ "economic activity is defined as work, which involves the production of goods and/or services for sale or exchange and production and processing of primary products for own consumption". The more nuanced data gathered among host communities and refugee camps in Shire, summarized in Figure 8, shows overall similar activity rates but proves significant differences between refugees and host community members regarding access to waged employment and an overall higher unemployment rate in refugee camps. Furthermore, given the refugees' limited access to the labour market, more respondents in the refugee camps were more likely to be working on their own account or at an enterprise belonging to their household.

While the data from Figure 8 shows that the majority of host and refugee community members in the sample were economically active in February 2020, a more detailed look reveals high youth unemployment rates, particularly among refugees. Within the total sample of 439 individuals, most respondents were youth with 36 per cent being between 18 and 24 years old and 47 per cent between 25 and 34 years old, reflecting the overall age structure of Ethiopia and the fact that youth are generally over-represented in the refugee population. Youth were much more likely to be economically inactive before the pandemic in February 2020, with 18 per cent of respondents between 18 and 25 years stating to not have a job compared with 6 per cent of respondents over 35 years. When disaggregated among migratory status, the outlook for refugee youth is even more severe, with 40 per cent of refugee youth being unemployed compared with 11 per cent of host community youth. While the sample of respondents above 34 years is relatively low, it still confirms the national trends in Ethiopia of youth being more likely to be economically inactive than their older counterparts.⁷⁹

78 Central Statistical Agency (CSA), "Statistical Report on the 2018 Urban Employment/Unemployment Survey (UEUS)".

79 Shimeles.

► **Figure 8. Economic activity status of different age groups within refugee communities**



Understanding labour underutilization: informal, temporary and low paid jobs

There is clear labour underutilization based on a mismatch between job supply and demand. Workers tend to refuse to take on jobs as salaries are often below the living wage. This translates into two phenomena that mutually reinforce each other: high informality and the tendency to take on irregular/temporary jobs to make ends meet.

The low salaries offered on the job market, coupled with a high demand for skilled labour, are responsible for two major outcomes. First, they push jobseekers into informality, and second, they force them to juggle between multiple, low-paid jobs, increasing their precarious situation. When examining informality, contextualized discussions on the binary between informal and formal are needed, as the data also highlights the diversity of situations found in the local labour market. When looking at informal labour, it is necessary to acknowledge the heterogeneity of the informal sector which, according to Chen (2012),⁸⁰ includes two broad categories: (1) informal self-employment; and (2) informal wage employment for either registered or unregistered enterprises. It can be assumed that most of the respondents who are working on their own account or for an enterprise belonging to the household fall into the informal self-employment category. However, observations during data collection revealed that rigid binaries between informal and formal might not necessarily reflect the lived reality of respondents as some labourers seemed to be unfamiliar with the concept of informality. A written contract might not be seen as necessary, particularly when working at an enterprise belonging to the household or a relative, or when being employed temporarily or seasonally.

The different levels of informality among the four locations also reflect the different market situation and employment opportunities in the survey locations – with Shire being the most developed economic marketplace and host town, and Adi Harush-Mai Aini representing a relatively impoverished refugee camp in contrast to the protracted situation of Shimelba which is closer to Shire town and has been established in 2004. Overall, there are very limited opportunities available in the Shire area based on respondents' perceptions in the gathered data, which underlines the fact that Ethiopia's economic growth has not translated into sufficient decent work creation. Respondents stressed the gap between the number of jobs available and the number of jobseekers, leading to extremely competitive processes, with 100 to 300 candidates for one position.

⁸⁰ Martha Alter Chen, "The Informal Economy: Definitions, Theories and Policies", WIEGO Working Paper No 1 (WIEGO, 2012).

▶▶ *“The demand side is too low to attract employees. Though potential employers increased from time to time the supply side is growing more than 100-fold of the employers.”*

▶ FGD unemployed youth hosts, female, Shire

In Shimelba, opportunities are particularly limited as the private sector is not well developed, and agricultural activities remain the main type of livelihood for locals and refugees. At the same time, the youth lack training opportunities and financial support to start a business. While national economic development certainly creates new opportunities regionally, it does not compensate for the country's increasing labour force and the living wages needed.

While finding a job is difficult, the data shows that many employment seekers turn down offers because of insufficient salary. There is no minimum wage in Ethiopia, although a salary scale exists for civil servants. While Ethiopia has experienced rising inflation, especially on basic items and rents, the increase in the cost of living is not always reflected in wages. The issue was repeatedly mentioned by respondents and appears to be a major obstacle to unemployment reduction. Respondents spoke of 400 birr (US\$12) for an entry level worker in a beauty salon, while the average salary for a waiter in the hospitality sector seems to be around 1500 birr. Such salaries are not enough for workers to make a living, as they are just enough to pay rent. As a result, youth prefer refusing a job with a low salary that does not cover their basic expenses, whereas some employers struggle to find staff, despite the high level of unemployment. This problem does not seem to be specific to the Tigray region: a key informant at MoLSA in Addis Ababa raised the issue of a minimum wage as a possible response to the gap between the shortage of labour supply faced by employers (particularly in industrial zones) and widespread unemployment.

At the same time, refugees are increasingly competing with host community members for jobs that are often irregular and compensated with salaries below living wage, making both refugees and hosts on other sources of income. The majority of refugees, as well as host community members, were working temporary, seasonal or irregular jobs in February 2020, which confirms that the rigid binary of informal versus formal does not apply to the context in Shire, where irregular and informal working arrangements are the norm rather than an exception. The qualitative data collected is in line with the survey results which shows that 20 per cent of the respondents in refugee camps had a permanent economic activity compared with 41 per cent among host community members. However, the high number of refugees (13 per cent) refusing to answer this question on their work arrangement compared with respondents in May Tsebri and Shire could be based on refugees' limited legal access to formal employment and their fear of having their employment or business activity exposed.

“There are not many job opportunities around. With what money shall we do business? Rather we live our life with the food aid we get. Eritreans can't get jobs as the local community does. Of course, there are some Eritreans who work as daily labourers in the area. As we hear, there are some generous people in the host community and pay them, but others do not. Therefore, Eritreans work here just to survive not because they are happy working here. There are no jobs for us.” (KII, Women refugee association, Adi Harush)

Because refugees cannot operate in the formal economy, they often solely depend on humanitarian assistance. Many respondents among both refugees and hosts stated to have other sources of income besides their jobs. The higher likelihood of having other sources of income was observed in Adi Harush-Mai Aini with 43 per cent compared with 32 per cent in Shimelba, and in the host communities, 17 per cent in May Tsebri and 23 per cent in Shire. Among host community members, people having other sources of income were often young and mostly still depend on support from their family. In contrast to that, refugees often reported receiving aid and remittances as additional incomes.

Women's barriers to accessing the job market

Economically active women in the Shire area, whether belonging to the refugee or host communities, are faced with gendered barriers hindering their access to the labour market, which makes it difficult for women to harmonize their social expectations with employment outside their home.⁸¹ While a strong political commitment to advance gender equality is visible in Ethiopia,⁸² women are still over-represented in precarious employment situations, making them less resilient.

►► *“Women’s participation has not been there before because there was an oppressive system. In addition to that, the tradition was not encouraging women’s participation in any kind of jobs. However, women’s participation has been very good, especially since the EPRDF came to power. While women’s interest and capacity to participate in daily labour, governmental and non-governmental jobs is now better, it is still important to remember that raising awareness about gender inequality is important.”*

► FGD female host employees, May Tsebri

While the quantitative data gathered in Shire does not show major differences between the economic activity status of women and men, the focus group discussions with female individuals revealed that women encounter access barriers due to the gendered social expectations.

However, women emphasized that they are struggling to reconcile the household duties they are expected to perform and employment outside of their home. Female FGD participants explained they are too busy with domestic chores to have a full-time job as they spend between two and six hours a day taking care of their house and family members. Many women are also not willing to travel long distances to find a job as it is not culturally acceptable for women to travel alone extensively, and transport is often unaffordable for female labourers with little income. Furthermore, respondents also mentioned gendered risks in the workplace and while looking for a job outside their home. When asked how respondents reach their workplace, 83 per cent of women stated on foot or by bicycle, compared with 67 per cent of men who were much more likely to take other means of transportation such as public transport or a private car. Women also mentioned that they do not get the support needed from their family to take on employment outside their household and immediate neighbourhood, as they are expected to be at home for their domestic duties.

►► *“Men have many opportunities. They can find jobs moving here and there without any frustration. But women cannot do that because of two things; first, they are highly exposed to many social evils like harassment, unwanted pregnancy and others too. Secondly, women have many responsibilities at home. This is the reason why I am saying women and men are incomparable in accessing the job market.”*

► FGD female refugees, Shimelba

However, when women are able and willing to participate in the labour force, quantitative data shows that women are over-represented in the informal sector (54 per cent of women versus 48 per cent of men stated they had an oral agreement) and often do not hold permanent jobs (29 per cent among women versus 38 per cent among men), which makes them less resilient during economic crises such as the current COVID-19 pandemic. The gendered implications of the COVID-19 pandemic need to be taken into further consideration as, based on experiences of other virus outbreaks such as Ebola, the UN warns about the heightened risk of gender-based violence. In the Ethiopian context, women might also

81 Asrat Gella and Getnet Tadele, “Gender and Farming in Ethiopia: An Exploration of Discourses and Implications for Policy and Research”, *Ethiopian Journal of the Social Sciences and Humanities (EJOSSAH)* 11, No. 2 (2015): 1–28.

82 Dejene Mamo Bekana, “Policies of Gender Equality in Ethiopia: The Transformative Perspective”, *International Journal of Public Administration* 43, No. 4 (11 March 2020): 312–25.

experience severe economic impacts as women generally earn less and often hold insecure jobs in the informal sector. In addition to these psychological and financial stressors, women are likely to take on a disproportionate role in unpaid care work during the health crisis based on patriarchal social norms.⁸³

▶▶ *“It is difficult for women to find a job, there is a negative family influence. So, if there is a job position in longer distance, she may be missed due to her family influences. Due to these reasons, the woman may despair even if she has the capacity to work and compete equally with men.”*

▶ FGD female host employees, May Tsebri

When asked about the evolution of household chores as a result of the pandemic, 42 per cent of female respondents stated that they increased, compared with 38 per cent of male respondents. In addition, as women are over-represented in the informal sector and in temporary, irregular or seasonal work arrangements, they tend to be less likely to benefit from paid (sick) leave and more likely than their male counterparts to see their income decrease. The lack of formal employment also often means no access to health insurance and social security coverage. This entails that women's access to unemployment benefits or basic health care during external economic shocks such as the COVID-19 pandemic is limited. Among the respondents, 9 per cent of women had some form of social security compared with 18 per cent of men, and 19 per cent of women reported to have health insurance compared with 26 per cent of men. Therefore, women are less resilient to economic crises owing to the constraints they face in the labour market, which are inherently connected to social expectations and gender performance.

▶ The intersection of migratory status, age, gender and education

Certain social groups such as women, youth, and refugees are often prevented from fully accessing education and participating in the labour market owing to social barriers, including patriarchal gender expectations and stereotypes. Given the barriers faced by those groups from developing their full potential within the labour force, this section focuses on education of youth between 18 and 34 years and whether the level of education in connection with migratory status, education and gender impacts the likelihood of being economically active and pursuing education.

While the previous section looked at the specific gendered barriers to accessing the labour market, it is essential to explore the intersection of social categorizations; in the context of Shire the most relevant categories to consider include age, gender, and migratory status. When looking at it from an intersectional perspective, it is possible to acknowledge the different interrelated discriminations faced by people instead of isolating social categories such as gender – a refugee women faces barriers to accessing employment and education not only because of her gender but also because of her migratory status, and isolating those two categories does not give justice to intersectional social hierarchies.

The section provides insights from mainly qualitative data collected to contextualize refugee youth and women's barriers to accessing the labour market discussed previously and to shed light on the social constraints faced by those groups by discussing the following three aspects:

83 UN Women Ethiopia Country Office, “POLICY BRIEF: COVID-19 and Ending Violence Against Women and Girls in Ethiopia”, UN Women, 30 March 2020.

1. **Education and skills:** As the majority of employers in the demand-side analysis emphasized employees' expertise and past experience as major recruitment criteria, this section discusses education levels and skills development among respondents in the Shire area and the relative unemployment rate in ratio to levels of education.
2. **Refugee youth:** Youth's migratory status is negatively impacting their job and educational opportunities owing to negative social stereotypes and their living situation in refugee camps.
3. **Women:** Specific barriers affecting women's pursuit of educational and employment aspirations owing to their less powerful status in social, economic and political spheres in the society than men.

Education and skills as determinants for “stable” employment

Generally, the majority of respondents in the Shire area have either primary or secondary level education and acquire their skills through informal channels. However, there are significant differences between refugees and host community members, and a disconnect between employers' emphasis on work experience and available job opportunities for youth. The collected data also shows that with higher levels of education, which is mostly not available to refugees, the likelihood of individuals to have a permanent job increases.

Individuals among both refugee and host communities complained about not being able to pursue their educational aspirations owing to financial constraints and lack of support. The data also indicates that individuals who started a business often left school early to do so, as they do not see the added financial value of continuing their educational path. *“I graduated and finished school but for me, it was a better option to start my own business than looking for governmental jobs, in terms of earning money”.* (FGD self-employed hosts, female, May Tsebri).

To assess whether a higher level of education translates into a higher likelihood of securing employment, the relative unemployment rate shows that the chance of being economically active is not necessarily higher for VTC graduates than for non-VTC graduates. However, unsurprisingly, the individuals' propensity to have a permanent employment increases gradually with the level of education obtained. The numbers in Table 15 still need to be analysed with caution as the sample sizes of certain education levels such as Master degree (n=6) are very low. Furthermore, the result that individuals with a primary level or vocational training education both have an economic inactivity rate of 8 per cent may be related to the fact that individuals simply cannot afford to stay without a job and are willing to take on any work to survive. It is, therefore, relevant to analyse whether the level of education determines the work arrangement of individuals. The collected data clearly indicates that higher levels of education significantly increase the chances of having a permanent job, with 24 per cent of individuals with primary education having a permanent job compared with 64 per cent of university graduates. However, despite high hopes associated with vocational training centres, VTC beneficiaries and individuals with secondary education among the respondents have the same likelihood of 31 per cent to be permanently employed. Similar to previous analysis on accessing the job market, the collected data shows that non-permanent informal labour is the norm for most of the labour force in the Shire area, and formal permanent employment is often a privilege exclusive to employees with tertiary education.

As the majority of respondents are informal workers, it can be useful to examine where employees acquire skills, so as to contextualize the level of education in the Shire area. Informal employment does not necessarily mean a “low-skilled job” but rather that skills are gained in an informal way at the workplace. Table 15 summarizes the data on employees' main locations for skills development. While looking at the total numbers of the table might lead to false conclusions owing to the different sample sizes of educational levels, it does confirm that a high percentage of the labour force in the Shire area has secondary or primary level education and acquired their skills through informal channels. At the same time, the responses show that a vast majority of VTC graduates are able to use their formally acquired skills in their job, and it is logically the same for tertiary education graduates and the opposite for individuals with secondary or primary education.

► **Table 15. Location of skills development disaggregated by level of education**

	School and higher education	At the workplace (in-house training)	Job doesn't require specific skills	I have never had a job
Master degree (n=6)	6	1	0	0
University degree (n=53)	43	12	0	0
Vocational education (VTC) (n=97)	66	30	7	2
Secondary level (n=157)	10	93	42	5
Primary level (n=111)	0	66	36	2
Did not complete any level (n=15)	0	3	10	2
Total	125	205	95	11

While the data indicates that skills acquired through VTC can prove useful in the workplace, qualitative findings suggest that unemployed youth VTC graduates may be in possession of technical skills that are not helping them find a job and do not match employers' requirements. Owing to the fact that employers heavily emphasized work experience as recruitment criteria, as discussed in the demand-side chapter, youth and also VTC graduates are often struggling to find employment simply because of their lack of experience.

►► *“From the very beginning the existing job opportunities are too few. Additionally, when the employers need employees, they incorporate work experience as a basic requirement. Thus, those who haven't had an experience just like me cannot be employed. If I am not being employed, how can I bring work experience?”*

► FGD unemployed youth hosts, male, Shire

The quote underlies a more general disconnect between employers' expectations of a suitable employee and the opportunities to develop skills and expertise available to youth in the Shire area.

Refugee youth: Negative stereotypes and limited opportunities

Struggles of high youth unemployment in the Shire area are exacerbated in the case of refugee youth who experience social barriers and limited job opportunities in protracted refugee camps, which might prevent them from developing their full potential in the labour force.

Refugee youth in Shire are the most economically inactive, and the collected qualitative data suggests that they are often subject to stereotypes, which portray them as lazy and/or addicted to substance, or simply better fitted to jobs which are undesired by Ethiopians, such as employment in the hospitality sector. One key informant interview with a cooperative in Shimelba put negative stereotypes into perspective by pointing out the fact that many refugees are simply desperate as there are very few livelihood opportunities in the camp, and they are struggling to cope with limited financial resources. *“There are so many young people in the camp who have no skills to get work and to create their own jobs. There is high youth unemployment, and they spend their time drinking alcohol.”* (KII, Cooperative, Sheraro). Similar observations were made in a study conducted by the World Bank and Samuel Hall in Ethiopia in 2019, where host community members in Addis Ababa also contended that Eritrean refugees are addicted to drugs and

alcohol, and do not want to work.⁸⁴ However, when refugee youth are offered job opportunities, these are often in the hospitality sector, and some employers in the focus group discussions argued that Eritreans are simply better suited for these jobs because of their friendly nature. Such comments need to be discussed alongside other observations among respondents, which clearly show that the hospitality sector is not a desirable workplace for most Ethiopians owing to sociocultural reasons.

▶▶ *“Culturally working in a hotel is not seen as a good job. Most of the time employees are using this job as a temporary job.”*

▶ CS, Hospitality sector, Shire

Low-income jobs in sectors undesired by the host community or low-skilled informal work arrangements in the refugee camps are often the only opportunities available for refugee youth, partially owing to their limited legal access to work and education outside of the camp.

▶▶ *“Refugees work similar jobs, for example in hospital and education but, there is a problem in payment. Whatever they do, they don’t get a similar salary.”*

▶ KII, Cooperatives representative, Shimelba

▶▶ *“In my opinion, refugees have less likely job opportunities than the host community because they need identity cards and they also need guarantee as I said before. For these reasons, they have low job opportunities.”*

▶ FGD TVET host students, male, Shire

Strict encampment rules and the slow application of the Comprehensive Refugee Response Framework (CRRF) prevent refugees from accessing higher education compared with their peers in the host community. As part of the CRRF, the Education pledge aims at increasing enrolment of refugees in pre-school, primary, secondary, and tertiary education without any discrimination and within available resources. The qualitative data with stakeholders in the Shire area confirmed that refugees might be able to pursue some training such as vocational education, but they lack access to tertiary education outside their camps. The upcoming years will show whether the promises of allowing refugees to live outside the camp freely and access education will be realised and subsequently increase refugee youth’s chances to fully participate in the labour force.

Women’s participation in education and employment

Women in the Shire area, and to a greater extent female refugees, face gendered challenges in pursuing educational and employment aspirations owing to social expectations and gender performativity in their communities, which may lead to early marriages and limited available support and opportunities for women to work and study.

Owing to gendered power dynamics and norms that affect women’s status in economic and political spheres as well as their access to education, local authorities are working with communities to increase women’s participation, and also the increasing level of education among women is contributing to their empowerment.

84 Varalakshmi Vemuru, Aditya Sarkar and Andrea Fitri Woodhouse, “Impact of Refugees on Hosting Communities in Ethiopia: A Social Analysis” (Washington, D.C.: World Bank, 2020).

►► *“Generally, men and educated people have more power politically and economically in our area. Women’s type of jobs are still limited and have not changed as expected still we have to work a lot to this attitude even in women themselves.”*

► KII, Small and Medium Enterprises office, Shire

In contrast to the quote above, some women emphasized that education and employment is a way to protect themselves from the influence of their families and become self-reliant.

►► *“Currently, I graduated with a bachelor degree in EPDM from Aksum University. Before I graduated my bachelor, I was in natural science and I had no interest to continue in EPDM. As a female, I believe I am equal with men, actually there is affirmative action 5 per cent but there are no other supports during our computation.”*

► FGD female host employees, May Tsebri

►► *“When people go to school, they make hopes about what they must do after. In addition, I was growing up by observing my mother’s dependencies, then I was thinking of having my own income sources when I grow up. For this reason, at any cost I decided to have my own income.”*

► FGD female host employees, May Tsebri

While women in Tigray and Ethiopia at large are increasingly pursuing education, their educational and economic participation is still weaker than that of their male counterparts, which is partially connected to early marriage, power dynamics and limited support.

►► *“For the question why have you decided to take a job? Because I have to survive. After my high school education, I was interested to continue, but I couldn’t get support.”*

► FGD female host employees, May Tsebri

►► *“Females genital mutilation (FGM) is also a common culture both in host and refugees. Men have the right ... and power to decide everything ... As ARRA we have been trying to empower women by creating different structures like, women’s association, women affairs, women’s trade association but still the outcome is not to the level of our expectation which indicates that we have to invest more and more to bring the needed change.”*

► CA, ARRA, Shimelba

Triangulating the gathered data with previous studies⁸⁵ undertaken on women’s access to education in Tigray also confirms some of the answers gathered in the qualitative data collection tools.

Refugee women are facing the gendered barriers, but owing to their migratory status and limited opportunities in the camp, it is even harder for them to succeed and advance in the labour market and in formal education than for their host counterparts. When asked whether women have managing positions in business in their area, the answers of one female FGD respondent in Shimelba underlie the intersectional disadvantages of being female and a refugee in a camp in the labour market: *“I believe*

85 Thera Mjaaland, “Negotiating Gender Norms in the Context of Equal Access to Education in North-Western Tigray, Ethiopia”, *Gender and Education* 30, No. 2 (17 February 2018): 139–55.

that all human beings have the same brain. But the way we explore the world, the opportunities we have, the efforts we exerted, and our day-to-day activities and exposures determine our education level, level of thinking, managing ability and more. As such behaviours and exposures are not here in the refugee camp, we may not get the same opportunities as women who are not from here.”

The barriers that were discussed, faced by refugee women, refugee youth, women and female youth (and the list could be continued when looking at persons with disabilities or other social categorizations), confirm that intersectional discrimination faced by individuals participating in employment and education cannot be captured by a simplistic understanding of who a women, a refugee or a young person is.

► Looking for a job in the Shire area

While the main challenges for finding a job in the Shire area have shown to be the limited number of available jobs and low wages, respondents also emphasized a lack of information on available jobs with mainly informal channels used, and widespread co-option and no transparency in hiring practices, particularly according to refugees’ perceptions.

When looking for a job, individuals mostly turn to informal channels as the employment service providers are not fully developed in the Shire area and women, in particular, are often excluded from formal channels of recruitment. Job-seekers mainly look for vacant positions by talking to their personal networks, “knocking on doors”, using brokers and by reading the advertisements posted on the boards at the kebele and woreda offices, or in newspapers. However, as an officer at the MoLSA in Addis Ababa stressed, the capacity of local government offices is limited when it comes to collecting information about jobs available, and little progress has been made in this regard over the past years. Similarly, on-line or printed job announcements are not a common way for jobseekers to look for employment, either because they do not have access to the Internet due to financial constraints, or because they have limited computer skills. In addition, most jobs advertised on job-posting websites are based in Mekelle, Addis Ababa or other large cities as opposed to the Shire area. In this context, finding a job is particularly difficult for women as they might have limited information and are often prevented from travelling far and spending vast amounts of time outside their household to look for a job. When asked about how respondents find information on job opportunities, the answers show that women are much more likely to find jobs through asking family or friends and less likely than their male counterparts to search through on-line or printed job announcements.

The second relevant barrier for efficient recruitment in the Shire area is the perception that hiring practices are not transparent and inefficient, and refugees in particular raised concerns of co-option and discrimination. Table 16 presents the respondents’ perception of hiring practices and clearly shows that refugees are much more likely to perceive hiring practices as unfair, not aligned with youth’s expectations or the local market, and based solely on personal networks. Such sentiments might also be related to the frustrations among refugee youth, and more specifically female refugees, who are challenged with high unemployment and limited livelihoods opportunities in their area.

► **Table 16. Perception of hiring practices**

	Discriminatory	Non-transparent	Not aligned with youth’s expectations	Not fair to women	Only based on connections and networks	Not relevant to the local labour market
Hosts (n=313)	20%	22%	34%	17%	22%	36%
Refugees (n=126)	31%	34%	60%	33%	41%	56%

Unemployed youth in both refugee and host communities emphasized in the FGDs that recruitment criteria are not clear and complained about co-option and corruption in hiring practices for jobs and trainings in the private and public sector, especially when the government is involved. Candidates willing to receive feedback on their application or asking questions about the criteria used for the selection often get no answer and described the attitude of government officials in charge of the process as dismissive.

▶▶ *“Most of the time, vacancies are posted in woredas or kebeles. We are expected to submit all documents and then, they notify the winner on the board. But the criteria are not clear and if I complain, they force me to leave their office.”*

▶ FGD unemployed youth hosts, male, Shire

Similarly, respondents accused local officials of unfair practices such as co-option and corruption when they mentioned training programmes provided by NGOs: they explained that the selection of beneficiaries is done by kebele or woreda officials, without transparency regarding the criteria used to select them. However, corruption and co-option were not only mentioned about government officials: respondents made similar accusations about employers themselves. Students and unemployed youth claimed that jobs are given to candidates who have an influential and wealthy family.

▶▶ *“They are not open to clearly show us why we failed, and the score we had for each criterion. In general, they are not good. And almost all the recruitment processes involve corruption.”*

▶ FGD unemployed youth hosts, female, Shire

The challenges faced in the recruitment process by youth and the labour force in Shire in general may point to a broader distrust between employers and employees.

▶ Individuals' aspirations

The disconnect between the respective expectations of labour supply and demand in the Shire area, as well as youth's aspirations to start their own business and work with the government, often perceived as the only option for a decent income, and the refugees' aspirations to migrate abroad, are a consequence of high youth unemployment rates.

When pressed about unemployment, several key informants expressed condescending views regarding the aspirations and expectations of the youth and a general disconnect between labour supply and demand. **Youth were described as selective, lazy and adverse to risks, and favouring employment with the government rather than the private sector.** Some youth were indeed interested in government jobs, perceived as a means to change their life and gaining a decent income. However, for private sector actors, the attractiveness of government jobs is rather a sign of youth's lack of proactivity.

▶▶ *“If you are not qualified, getting an appropriate job towards your profession is challenging. This is one critical problem, there is skill and knowledge gaps. The other challenge is youth are not interested in any job they get. The demand and supply sides are totally imbalanced.”*

▶ KII, Relief Society of Tigray (REST), Selekleka Office, Shire

While the demand-side analysis clearly showed that agriculture remains the dominant sector in the Shire area and that construction and manufacturing are likely to grow, refugees and hosts are mostly interested in wholesale and retail trade. Among the 439 quantitative responses to the multiple-choice question on aspirations for work, no significant difference was noticeable between the refugee and host community, with 129 responses choosing wholesale and retail trade, followed by accommodation and food service activities, and manufacturing with around 70 responses each. In contrast, only 28 responses chose construction and 22 agriculture. Similarly, the qualitative data showed that only a few respondents among youth expressed interest in agricultural work, and those who were willing to engage in agriculture were interested in having their own business.

►► *“Generally speaking, there is a challenge in finding a job as is in many developing countries. The same holds true in our region due to the various challenges we have. The most important challenge, from my perspective, is a lack of awareness among the rural youth. After graduation, most of them want to have permanent work in offices. They don’t think that engaging in agricultural business will change their life.”*

► KII, BoARD, Agricultural Extension Directorate, Mekelle

The aspiration of youth to work with the government or start their own business needs to be seen in the context of the previously discussed high prevalence of salaries below the living wage, which might lead to the perception that being self-employed or having a government job are the only options to have a decent income. In the focus groups discussions with youth, they mentioned to be interested in creating a business (having a shop, a supermarket, a hotel) to “be their own boss”. Being responsible for everything is an attractive perspective for the youth, which contrasts with them being described as “not willing to make efforts” by the elders. However, youth often lack the financial means and support to start their own business and are therefore looking for other livelihood opportunities. The survey data on satisfaction towards their current jobs confirms that most employees struggle with low wages, 140 out of 313 host community and 76 out of 123 refugee respondents answered they are not satisfied, and out of those 86 and 62 respondents, respectively, stated that they simply have no other choice. The majority (110 among hosts and 54 among refugees) of respondents who are not satisfied with their current job explained that it is because the wage is too low.

►► *“The majority of the refugees are young, and they need to work either in their own business or in others business. By any means they want to have their own source of income.”*

► FGD self-employed refugees, Shimelba

While it is frequently assumed that high youth unemployment and the often unfavourable conditions in the labour market for youth is triggering migration to other parts of the country and abroad, the qualitative and quantitative findings did not comprehensively confirm this hypothesis. While Eritrean refugees are often perceived as willing to migrate to third countries, refugees did not spontaneously mention onward migration, perhaps because of fear.

►► *“Yes, there are opportunities for both people [refugees and hosts], but the refugees have the intention to go to European or other western countries. They don’t use the opportunity and only few of them work here.”*

► KII, Relief Society of Tigray (REST), Selekleka Office, Shire



Photo 3: Shire, August 2020. © Samuel Hall

However, the multiple-choice question about future plans in the survey revealed that the most frequent answer with 56 responses among 126 refugees was the desire to migrate abroad followed by roughly 32 responses each for looking for a job or starting self-employed. Some respondents in the focus group discussions also mentioned attempts to migrate to Europe via Libya, but explained that they were not successful and had to come back to Ethiopia. For these refugees, reuniting with close relatives was the driver for leaving Ethiopia, although the lack of opportunities was also raised.

▶▶ *“I never thought of living here when I decided to leave Eritrea. Instead I planned to leave abroad via Libya to improve my living conditions and that of my family. But up on my arrival I found the way out via Libya was closed.”*

▶ FGD unemployed youth refugees, male, Shire

When asked about where they see themselves in five years, some refugees in the FGDs showed despair with their living and personal situation in Ethiopia and wish to be able to go back to Eritrea, as the quote below shows.

▶▶ *“I want to go home, living in the homeland with your relatives is good, you can discuss with your relatives and you can move freely from north to south and from east to west without any concern. You can participate in every aspect of your county as a citizen but, here it is a prison for me.”*

▶ FGD self-employed refugees, Shimelba

To conclude, Eritrean refugees in Ethiopia are in a limbo – not being able to go back to Eritrea, integrate in the local economy or raise the needed money to migrate abroad.

▶ 5

Labour market institutions

In a given context, labour market institutions have a responsibility in shaping the interactions between labour supply and demand, and in adjusting conditions to align their divergent needs and expectations. The latter includes “policy interventions or collective organizations that interfere with wage and employment determination”⁸⁶ such as national regulations, labour market policies and collective organizations that affect the labour market. For the purpose of this research, both formal and informal practices related to employment opportunities and job creation were considered as part of labour market institutions. How do jobseekers, unemployed youth in particular, proceed to find employment locally? What are the challenges they face and where can they get support? The following section will present the different institutions that exist on the Tigrayan labour market, some to a larger extent than others, shedding light on their dysfunctional nature and their lack of adaptation to the local context.

▶ Employment service providers

Public actors: mandate overlaps, weak capacity and lack of transparency

Interviews with jobseekers and local government offices revealed a high level of confusion regarding the responsibilities of each actor with regards to employment services. MoLSA (at the national level), BoLSA and local labour and social affairs offices (at the regional and local levels) are the primary actors in charge of facilitating the match between labour supply and demand. As mentioned by the 2018 ILO report on Public Employment Services Provision in Ethiopia, the ministry’s mandate includes public employment service provision and administrative labour market information collection; management and reporting

86 B. Holmlund, “What Do Labor Market Institutions Do?”, Uppsala University, Department of Economics, No. IZA Discussion Paper No. 7809 (December 2013).

are the responsibilities of labour and social affairs offices at local government levels.⁸⁷ However, interviews with officers from the local labour and social affairs offices showed that the limited financial, material and human resources and weak capacity do not allow these offices to effectively perform their duties. The lack of information system and data management tools and the absence of process leads to irregular and incomplete data collection and updates. The information on jobs available is exchanged through phone conversations between a business representative and the officer, who collects the data manually. The same officer is also responsible for the many other duties that fall under the office's mandate, such as supporting vulnerable groups (women, unaccompanied children, persons with disabilities). Not only do the officers lack time to adequately link employers and jobseekers, but they also lack the skills, as responsible staff are no experts on job-matching matters. A key informant interview with a MoLSA officer in Addis Ababa showed that the headquarters are well aware of the gaps in terms of data management on jobseekers and positions available. The key informant openly stressed that information regarding job opportunities and unemployment are not being collected and registered properly. Consequently, there is not precise information about the number of jobseekers. According to MoLSA, the unemployment rate has increased recently in the Tigray region, including in the Shire area. The federal level considers this is the responsibility of the woreda to address the unemployment issue, but that there is a mediation problem nationally because of the low capacity of the woredas to collect information on jobseekers and vacant positions. To address these data collection issues, MoLSA mentioned a project of modernization of the data management system in this regard, currently being piloted in Addis Ababa (KII, MoLSA, Addis Ababa).

In addition to the weak institutional capacity, the system also suffers from mandates overlaps, leading to confusion for potential service users. MoLSA explained that in large cities, the urban development office is responsible for linking job-seekers with employers. However, since such an office is not available in the Shire area, the SME office is the one in charge of registering jobseekers. In addition, the youth and sports offices also have a mandate to support the unemployed youth, although their precise responsibilities are not clear. Local key informants explained that the labour and social affairs office, the SME office as well as the youth and sport office are in charge of identifying unemployed youth and linking them with TVET institutions and NGOs providing training programmes. Finally, the sectoral offices also have a mandate to link employers in their respective sectors with jobseekers. In Addis Ababa, MoLSA described the different competencies of the various offices involved in supporting jobseekers, but at the local level, there is no formal coordination mechanism between these offices, which creates confusion and accountability issues. A coordination device should soon be established in all service centres, as the pilot is ongoing. They will provide information and services to jobseekers and bring together SME office, MoLSA and TVET. Upon its implementation, the one stop shop should improve the quality of services for jobseekers in this regard. These gaps were also reflected in the interviews with jobseekers, who do not perceive government offices are able to help them find jobs, as discussed in the previous supply side chapter.

Private employment service providers: a sector to be developed

Until recently, private employment service providers were inexistent in Ethiopia. Yet, such actors can play a critical role in bridging the gaps in employment service provision and could compensate for the dysfunctional public system in place. While the sector is beginning to develop,⁸⁸ a limited number of private actors are available locally to link jobseekers and employers. Interviews with jobseekers and employers revealed that individual brokers are used in Shire and May Tsebri, including by refugees in search of a wage employment in the informal labour market. In some cases, brokers have a licence, delivered by MoLSA. Brokers receive a percentage of the salary from both the employer and the employee or a fixed amount (employers in May Tsebri spoke of a commission of 600 birr). However, in the Shire area, brokers usually do not have a licence and provide their services informally. Most of the jobs offered by local brokers do not involve contract agreements and can even be of exploitative nature. Refugees interviewed explained that brokers provided them with jobs with no salary, which suggests that some employers take advantage of the restrictions faced by refugees to exploit them. In this regard, this finding

87 ILO, "Public Employment Services Provision and Labour Market Information Collection and Utilization", 2018.

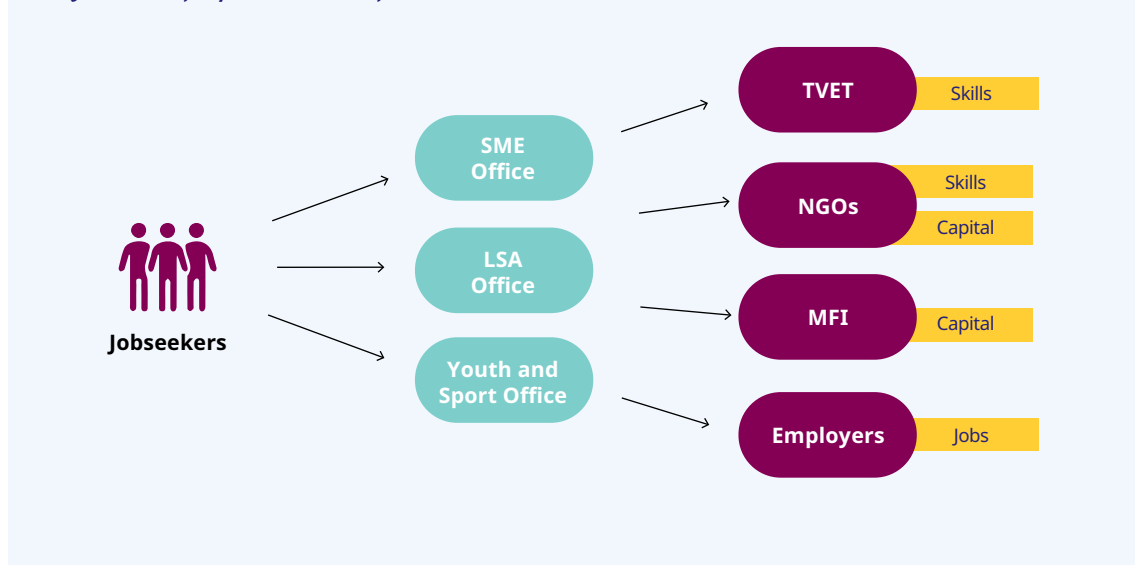
88 An assessment of private employment agency service provision in Ethiopia was commissioned by the ILO in 2019 and provides insightful data on the sector. See: ILO, "Assessment of private employment agency service provision in Ethiopia", 2019, https://www.ilo.org/wcmsp5/groups/public/---africa/documents/publication/wcms_728256.pdf.

is consistent with the conclusion of the 2019 ILO report on private employment service providers, which also highlighted the potential for exploitative employment relations, as well as the lack of competence of many of these actors.⁸⁹

► **Table 17. Employment service providers identified in the Shire area**

Actor	Service provided	Opportunities	Risks
Public employment service providers			
LSA Office	Collect information on job opportunities and link employers to jobseekers	Relevant institutional mandate; potential for strong improvements in job matching capacities if adequate support is provided	Limited capacity and access to information on economic opportunities; lack of data management system; limited HR and financial resources
SME Office	Link jobseekers to job opportunities in SMEs; register jobseekers; support provision to entrepreneurs (training, working space; link to financial service providers)	Capacity-building; potential for improvements of support provided to SMEs	Mandate overlaps and lack of clarity for jobseekers; limited capacity; lack of information on enterprises that are not SMEs; lack of data management system; limited HR and financial resources
Youth and Sport Office	Link the youth to TVET and training programmes or opportunities to access financial support	Capacity-building, improvements of support provided to the youth	Mandate overlaps and lack of clarity for jobseekers; low capacity; lack of information and expertise on economic and business issues; limited HR and financial resources
Sectoral Offices	Collect and disseminate information on opportunities relevant to their sector	Capacity-building; improvement of sector-specific service delivery	Mandate overlaps; risk of partial and incomplete information and understanding of the business ecosystem; low capacity; limited HR and financial resources
Private employment service providers			
Brokers	Link jobseekers to employers	Flexibility; greater reactivity compared with public offices; ability to reach different segments of the population	Unfair practices; focus on non-decent jobs; limited capacity; partial and incomplete information on available opportunities; lack of visibility

► **Figure 9. Employment service providers**



89 Ibid.

► TVET institutions and NGO trainings

TVET institutions: building skills in a silo

TVET institutions play an important role in providing labour supply with skills which are looked after by employers. Their positive role in the labour market is, however, dependent on their capacity to identify skills that are contextually relevant, that is, needed by employers and in line with beneficiaries' aspirations. Interviews with TVET institutions and students showed mixed results in this regard.

TVET institutions offer a wide range of training programmes such as accounting and finance management, information technology, construction management, water supply, and so forth. In addition, the Shire Agricultural College provides programmes in the agricultural sector for beneficiaries willing to engage in the agribusiness. Training programmes have a duration between one to six months and are sanctioned by the issuance of a certificate by the Centre of Competence (COC). Information about training programmes is available at the kebele and woreda offices, specifying application modalities. According to TVET students, the selection of beneficiaries is based on grades obtained at school and entry examination results. In some cases, in particular when training programmes are managed by NGOs, beneficiaries are identified by the local government, usually the youth and sports office.

A primary finding in relation to TVET institutions is the pivotal importance local actors grant them: when pressed about stakeholders providing support to the unemployed youth, most respondents cited TVET institutions, perceived as the main service provider available to the youth. However, while TVET institutions provide different types of training, their ability to link jobseekers to employers, or to support them in their job search, appears extremely limited, if not absent. TVET students receive no information on the sectors they are targeting, on vacant positions, and receive no support on how to apply for jobs, such as CV writing sessions. In addition, the data suggests that TVET institutions staff have limited knowledge about opportunities and challenges faced by students in the labour market, which does not appear to be an area of focus. Local TVET institutions clearly have limited capacity and reduced human and financial means. Lack of focus and coordination between stakeholders limit the effectiveness of the activities implemented.

Interviews with the Shire Polytechnic College showed that the institution has regular exchanges with local government offices but does not engage the private sector. This might be explained by its strong focus on self-employment, while wage employment does not seem to be given due consideration. The college does not seem to have a clearly defined strategy, nor does it use a monitoring and evaluation system. There is no follow up with students about their employment situation, which shows that the college tends to focus on delivering training exclusively. The institution lacks financial resources and equipment to adequately fulfil its mission and train the 1,500 "formal" and 4,000 "informal" beneficiaries that it receives every year. For instance, a training programme in the construction of cobblestone streets was conducted in a city stadium in Shire, owing to the lack of training space. While providing training is the core activity of the institution, the College is engaged in a large number of activities which have no clear connection with it, such as food distribution and awareness-raising activities on sanitation practices. When pressed about their relationships with government offices, the College staff explained: *"There are many requests that we are required to react to. For example, helpless people or police stations: they asked for beds, stationery, mattress, etc. So, we reacted immediately, and they also requested to be helped for chairs, tables and we helped them accordingly. Zone admiration also asked for the same help and we helped them too."* (CA, Shire Zonal Office Polytechnic College, Shire). Limited competence and lack of focus are therefore important impediments to the success of the programmes.

The Shire Agricultural College staff appears to have more in-depth knowledge about the state of the sector and more regular exchanges with actors in the sector. The key informant explained that training programmes are based on market studies conducted beforehand, which determine what type of programmes are needed. The college also has a monitoring and evaluation system in place, which assesses the effectiveness of the training programmes in terms of getting beneficiaries into jobs: *"We first begin the process with a labour market study to design outcome-based training programmes. Also, we conduct*

a tracer study to evaluate the effectiveness of the programmes. The college does not deliver training without first conducting market study to identify skills required for employment and self-employment. We identify hiring companies, be it private, government or NGOs. After having trained the trainees, we then conduct tracer studies. Our target is to have 90 per cent of the trainees hired.” (KII, Shire Agricultural Poly TVET College, Shire). However, the key informant conceded that the actual achievement is far below the objective of 90 per cent, owing to multiple factors such as lack of access to credit and land, and insufficient competence of the trainees. In conclusion, there is a huge gap between the central role given to TVET institutions in supporting the unemployed youth and their actual ability to help them access jobs.

NGOs and CSOs: lack of strategy and post-training support

A number of NGOs provide training for jobseekers from both the refugee and host communities in the Shire area. While such programmes have the potential to improve beneficiaries' chances to find employment, jobseekers were quite sceptical about training provided by NGOs. The main reason cited by respondents was the lack of support (cash or in-kind) to start a business after the training. Refugees were slightly more positive when speaking of the support provided, which might reflect the focus on refugees that many NGOs have in the area. Unemployed refugee youth mentioned programmes implemented by ZOA, which include linkages with employers and cash support of 10,000 birr. However, according to respondents, the NGO reaches only a few dozens of refugees every year, and the amount provided is often considered insufficient to start a business which requires buying materials or supplies. Respondents from both communities stated that the amount needed for the start-up capital lies between 30,000 and 50,000 birr.

In addition to international NGOs with a focus on livelihood such as ZOA, Norwegian Refugee Council (NRC) or International Rescue Committee (IRC), local organizations also play their part in supporting job creation locally. In particular, the Endowment Fund for the Rehabilitation of Tigray (EFFORT), a conglomerate of companies based in Tigray, provides training for the local youth, leading to job opportunities in the EFFORT companies, such as Trans Ethiopia, ALTEX, and Mesfin Industrial Engineering (MIE) (KII, Tigray Confederation of Ethiopian Trade Unions, Mekelle). However, the key informant stressed that because of the political tensions between Tigray and the federal government, these companies have been struggling and have limited openings as a result.

As stressed by one of the international NGOs active in the area, *“most of the activities which have been done here and there is dominantly on the supply side thus, the demand side which absorb the supply is totally retarded. Redundancy and similarities of fields of specialization, programmes are started without need assessment; this leads to imbalance in the labour market.”* (KII, NRC, May Tsebri), This suggests that i) need assessments should be conducted before starting a programme, and ii) the demand side, that is, enterprises, should be taken into consideration.

► **Table 18. Livelihood support programmes identified in Shire and surrounding camps (*this list might not be exhaustive)**

Programme	Donor	Implementing agency	Description	Relevance to ILO activities
QEP	German Federal Ministry for Economic Cooperation and Development (BMZ)	GIZ	Implemented in Addis Ababa and in the regions of Somali, Benishangul-Gumuz, Gambella and Tigray. The programme aims at improving the quality of and broadening access to vocational training, fostering the transition to employment. The programme also promotes the implementation of national refugee legislation in the area of inclusive vocational training.	High
Shire Alianza	EU Emergency Trust Fund for Africa	ZOA, NRC	The overall objective is to improve the living conditions in the host and refugee communities by creating livelihood opportunities, enhance local capacity building and improve the access to basic services using the cross-cutting impacts of the provision of energy services. One of the specific objectives is to create livelihood opportunities that allow host communities and refugees to promote income-generating activities, creation of employment and economic development.	High
Vocational training (Regional Development and Protection Programme)	EU Trust Fund for Africa	NRC, IRC	The Regional Development and Protection Programme (RDPP) in Ethiopia is part of the wider RDPP in the Horn of Africa led by the Netherlands. One of the objectives of the programme is to improve livelihood and employment opportunities. In the Shire area, activities included VSLAs, skills training, provision of start-up kits, and development of poultry business.	Medium (phased out)
Inspiring Water Entrepreneurship in Tigray (iWET)	AFAS foundation	SNV	iWET project aims to contribute to the improved health and productivity of rural communities in 12 project woredas of Tigray region through dynamic private sector engagement who play a key role in post-construction support services. The programme is implemented by SNV Ethiopia, The Well in Action (TWA), Digital Opportunity Trust, Tigray region Bureau of Water resources, Bureau of Health, Bureau of Small and Micro enterprises, Bureau of Youth and Sports affairs, and Bureau of Education.	Medium
Vocational training	N/A	ZOA	The NGO ZOA supports microbusinesses in the Shire area by providing vocational training and start-up capital to entrepreneurs.	High

► Collective organizations

Unions

Unions have the traditional role of protecting the rights and interests of their members, representing them in collective bargaining and taking part in the preparation of regulations and policies affecting employment. The Confederation of Ethiopia Trade Union (CETU) acts as an umbrella organization composed of grassroots trade unions, organized in nine national industrial federations. The core mission of the CETU is to “maintain a conducive working environment in the region by ensuring work ethics, gender equity, impartiality, and fairness for both the employees and their employers” (KII, Tigray Confederation of Ethiopian Trade Unions, Mekelle) and is in charge of mediating between employers and employees. In addition, the confederation plays a role in supporting the organization of the different economic sectors, in collaboration with the BoLSA, supporting existing workers’ unions, and protecting vulnerable groups especially women and persons with disabilities. However, since refugees were not allowed to work formally until recently, the confederation does not include refugees in its mandate. Finally, while the CETU provides training on labour regulations, the organization has not been involved in information-sharing on the new refugee proclamation or right-to-work directives, and did not seem to be aware of these developments.

Cooperatives

While cooperatives are considered to play an important role in the social and economic development of the country, the category encompasses a very wide diversity of realities. This is explained by the broad definition given to directives in Ethiopia: according to the Cooperative Societies Proclamation No. 985/2016, a cooperative designates “an autonomous association having legal personality and democratically controlled by persons united voluntarily to meet their common economic, social and cultural needs and other aspirations, which could not be addressed individually, through an enterprise jointly owned and operated on the basis of cooperative principles”.⁹⁰ Therefore, cooperatives are not necessarily livelihood-based.

While cooperatives can be established in all sectors, they are particularly developed in the agricultural field. In Tigray, the development of cooperatives has accompanied the modernization of agricultural practices and supported the increase of productivity. KIs and members of cooperatives explained that joining a cooperative allows farmers to access fertilizers, tools and machines, improved seeds, as well as technical support. Supporting cooperatives is a means to reach individual farmers and provide them with resources to improve their production.

The Bureau of Agriculture and Rural Development (BoARD) based in Mekelle made the distinction between two types of cooperatives: The “multi-purpose cooperatives”, which provide services to farmers at the woreda level similar to the ones mentioned above, and the “saving and credit unions”, which bring together the various rural saving and credit institutions that are available in the woreda. Their purpose, according to the key informant, is to develop farmers’ saving culture and provide credit facilities to their members (KII, BoARD Agricultural Extension Directorate, Mekelle). However, the data suggests that the performance and capacities of the cooperatives vary considerably. In Sheraro, members of cooperatives involved in oilseed and sesame production stated that they have not received the expected support, and had to buy their input from the local market because the cooperative did not deliver (CS, Oil Seed and Sesame Production, Sheraro).

⁹⁰ “Cooperative Societies Proclamation No. 985/2016”.



Photo 3: Shire, August 2020. © Samuel Hall

In the context of refugees, cooperatives have been used as a compensation for the fact that they cannot establish enterprises. Refugees willing to run a business also establish cooperatives, which are often limited in size and in resources. In Shimelba, for example, the Hama cooperative is composed of six members, who opened a juice and snack bar thanks to the support received from HALVET. Members received training as well as material support, and now run their business, which has been greatly affected by the COVID-19 pandemic.

Individuals often do not establish cooperatives by themselves, without support, as they do not necessarily have information about what cooperatives are and what advantages they can get from them. Cooperatives have facilitated access to credit facilities and can thus be seen as a response to the lack of access to finance. While cooperatives can help refugees overcome challenges that undermine their livelihoods, collected data shows that these entities are still limited in scope (only 2 per cent of refugee business owners have claimed being part of a cooperative). Thus, cooperatives need to be encouraged and supported, their members informed and trained.



6

Situation and perception of refugees

To depict a complete picture of labour market dynamics in Tigray, it is essential to closely examine the regulatory framework that governs refugees' participation in the labour market as well as the informal rules that may influence the extent to which they can be economically active, such as those dictated by host communities. This section will show that the newly enacted progressive Refugee Proclamation, as the symbol of the Ethiopian Government's efforts towards increased socio-economic integration for refugees, finds strong encouragement in host communities. Should this proclamation translate into concrete measures that restore refugees' autonomy and foster complementarity with their hosts, it may lead to greater economic growth and wellbeing for the Tigrayan population.

► Regulations affecting refugees in Tigray

Movement restrictions

Like all registered refugees in Ethiopia, Eritreans are required to live in the camp they have been assigned to, unless they benefit from the Out of Camp Policy (OCP). Introduced in 2010, this scheme has allowed thousands of Eritrean refugees to leave the camps and live in host communities, provided that they can sustain themselves financially or have relatives who commit to supporting them.⁹¹ A significant share of the beneficiaries are found in Addis Ababa and in Tigray, in particular in Mekelle and in the Shire area. For refugees living in camps, movement outside of the camp's perimeter requires obtaining ARRA's approval. However, in practice, movements in and out of refugee camps in the Shire area are relatively fluid, thus favouring economic interactions between refugee and host communities.⁹² However, movement and work restrictions remain a reality for refugees who get caught, as explained by a respondent: *"A few days ago, I got*

91 UNHCR, "UNHCR Global Report 2010", 2010.

92 Eva Ludi and Tsionawit Gebre Yohannes, "Tigray Regional Report. Refugee and Host Community Context Analysis".

the chance to work for a film in Shire. After weeks of studying my script, they [Ethiopian security forces] caught me in Tekeze River and returned me back to my camp after one whole day of detention. All my preparations lost for nothing.” (FGD refugee employers, male, Mai Aini)

Interviews with the host community revealed some degree of confusion with regards to the implementation of the recently adopted refugee proclamation. While Ethiopia’s new refugee law grants refugees freedom of movement, its implementation remains at an initial stage. Yet, several respondents believed that refugees are now allowed to move freely and engage in economic activities, which suggests limited awareness regarding the applicable rules in this transition phase, including among local government representatives: *“But, now the restrictions I mentioned are solved. It (the new proclamation) enables them to live, work, move freely like the local communities equally. There are many hired and self-employed refugees in our area. This (the new proclamation) enables refugees to generate their own income like the host communities.”* (CA, Woreda Office for SMEs, May Tsebri). Yet refugees’ accounts contrasted strongly with this description. Not only are they still not allowed to move freely as the proclamation has not yet been implemented, but their ability to move has been further restricted in the context of the COVID-19 pandemic. Refugees were no longer allowed to go in town and were forced to stay in camps, which has not only affected refugees themselves, but also businesses in the host community, who lost a significant amount of their customers as a result.

Right to work

Until the adoption of the refugee proclamation No. 1110/2019, Ethiopia’s legal framework did not allow refugees to engage in any economic activity. Wage employment, property ownership as well as business licences have been inaccessible to refugees, contributing to making them fully dependent on humanitarian assistance. While the legal framework has evolved, new regulations are yet to be implemented and refugees are still unable to get jobs in the formal labour market.

As in other regions of Ethiopia, refugees in the Shire area can be hired for a job that requires their skills but cannot be given a salary for it. Refugees receive what is called an “incentive”, between 700 and 800 birr. Getting a reduced salary for a similar amount of work creates frustration among the refugees, who do not understand where this practice comes from and perceives it as a discrimination against non-Ethiopians. This system is often used for positions for which the labour supply is lacking in the host community. For instance, since there is a shortage of teachers in Ethiopia, especially in remote areas, educated refugees are given the opportunity to work as teachers in schools in the host community. *“Refugees can work outside of the camp, but the payment is not equal to the salary given to the host community. Refugee’s salaries are lower. We have a friend from Shimelba camp who is teaching in the school of the host community. Both the host and refugees are teaching at the same level and for the same working hours, but their salaries are different. The host teacher gets a higher salary than the refugee.”* (KII, Hama Cooperative, Sheraro). However, some positions cannot be given to refugees as incentive workers, such as government jobs.

While refugees cannot access the formal labour market, many refugees work informally. For that reason, host community members often perceive refugees as actively engaged in the local economic life. Refugees tend to take specific jobs as metalworkers, woodworkers, mechanics or employees in the hospitality sector. A limited number of refugees in Mai Aini and Adi Harush are engaged in the agricultural sector. In Shimelba, however, some refugees work as farmers, mostly in crop production and livestock. A number of refugees also work as daily labourers in construction, a sector that strongly contributes to local job creation. According to employers, refugees and locals hired as daily labourers are treated equally and are given similar responsibilities, based on their performance and regardless of their status.

Despite the restrictive legal framework, the skills of Eritrean refugees are looked after. Interviews showed that Eritreans, more than Ethiopians, have a reputation for good technical skills. Refugees’ know-how is recognized in the field of mechanics, as well as metal and woodwork, for which their creativity is appreciated. Eritreans are also perceived as well suited for the hospitality sector because of their positive attitude towards customers. Local officials therefore spoke of a good complementarity between refugees and locals, and of a positive influence on the host community in terms of work habits and skills. A few employers, however, stressed that Ethiopians have a better level of education than Eritreans, highlighting that very few Eritreans received tertiary education.

A limited number of employers seemed to be fully aware of the legal framework regarding refugees' right to work, which might explain why so many hosts thought that refugees are given just as many opportunities as locals. However, the high level of unemployment that affects the host community is an additional challenge for Eritrean refugees. A KI explained that many OCP beneficiaries settled in different towns in Tigray are struggling to survive because they do not find jobs.

Interviews with refugees showed that, like the host community youth, refugees are often interested in starting their own business but face difficulties in accessing financial resources. This strong preference for self-employment can be explained by the lack of wage employment opportunities and the legal framework that prevents them from getting a salary.

► Relationships between refugees and host communities

Overall, relationships between refugees and host communities are positive and supported by significant cultural similarities. Historical ties between Tigrayans and Eritreans still influence the perceptions that locals have towards refugees: interviews showed that Tigrayans perceive Eritrean refugees as "brothers and sisters", who have the same practices, values and religion. The use of a common language, Tigrinya, spoken by most refugees and hosts, allows for repeated and regular economic and social interactions. Refugees and hosts meet at the market, at church or at the mosque, and celebrate together during festivities. *"Refugees are seen as similar to locals. They have similar cultures and religions. Muslim Eritreans can go to Mosque without any fear, the same Christian Eritreans to Church. So, I can say they have many things in common."* (KII, Relief Society of Tigray, Selekleka)

However, the relationship between hosts and refugees is influenced by political developments between Ethiopia and Eritrea. A few respondents explained that after the opening of the border, Eritrean spies have been found in the refugee community, which created suspicion in the host community. The rumour about the presence of Eritrean spies in Ethiopia is also widespread in Addis Ababa, where it did not only affect the relationships between refugees and hosts, but also among refugees themselves. *"Recently, there has been some suspicion around the presence of Eritrean spies among refugees: However, nowadays, the host community is suspicious with the security issues after the previously opened Ethiopian-Eritrean border is closed and some Eritrean Refugees found to be guilty of spying for the Eritrean government."* (KII, FTC, Shire)

While most respondents in the host community showed a positive attitude towards refugees, a few expressed negative feelings, for various reasons. A common source of tension is deforestation attributed to refugees: refugees do not have electricity in the camps and therefore need firewood for cooking, lighting and heating. Both refugees and hosts mentioned that being caught cutting down trees often lead to conflict. This issue is not specific to Tigray and is rather common in refugee hosting areas in Ethiopia and on the African continent. Another grievance expressed by some hosts, although not a majority, is about the condescending attitude that refugees are accused of having towards the host community. Some hosts tend to think that refugees consider themselves as superior to Tigrayans and Ethiopians more broadly. According to a local official, *"They consider their country (Eritrea) as better and (they think) Eritrean people are superior to Ethiopia's. This leads to conflict and disagreements among each other."* (KII, Woreda Office of Labour and Social Affairs, May Tsebri)

Moreover, refugees were described by several respondents as having a high propensity to be addicted to drugs and alcohol, which, in some cases, can lead to aggressive behaviour. On that matter, the World Bank study on the impact of refugees on host communities in Ethiopia also showed that Eritrean refugees

in Addis Ababa were often seen as drug addicts by hosts, who drink and party at night and sleep during the day.⁹³ This attests to the despair and boredom faced by a segment of the refugee population, as a result of the lack of opportunities available to them.

Finally, some host community members believe that refugees are at least partially responsible for some of the negative developments that have affected the local life over the past years: the presence of refugees is associated with inflation, in particular as locals perceive refugees are better off due to the remittances they receive. While refugees themselves complain about the cost of rent, hosts believe that prices have gone up as a result of refugees' higher (perceived) purchasing power. Another example mentioned by respondents was the influence that Eritrean refugees have had on the local youth with regards to irregular migration: Eritrean nationals have the reputation to migrate to developed countries, which, according to locals, has influenced the youth in the area.

The ongoing conflict between Tigray's regional government, led by the TPLF, and the federal government, could potentially have a negative impact on relationships between refugees and host communities. The involvement of Eritrean forces, alongside Ethiopian National Defence Forces (ENDF), might lead to heightened tensions and resentment against Eritrean nationals among certain Tigrayans.

► Progress towards greater socio-economic inclusion

The cultural similarities and shared language between Eritrean refugees and the Tigrayan host community provide a great potential for socio-economic inclusion. This is particularly true as socio-economic interactions are already well developed. The high number of Eritrean refugees living in Tigray outside of the camps as part of the 2010 Out of Camp Policy has also contributed to building close relationships between the two communities, even beyond the camp areas. As mentioned earlier, refugees' skills are recognized and, in some cases, looked after, which stresses the benefits that can be obtained from refugees' participation in the economy. While the adoption of the CRRF in 2017 and of the new refugee proclamation in 2019 has prompted an important shift to Ethiopia's refugee response, their implementation on the ground has not yet materialized.

Interviews revealed a very limited awareness about the new regulations and a high level of confusion about their implementation among those who were familiar with them: a significant share of respondents believed that refugees are now allowed to fully engage in (formal) economic activities without any restriction, while this is not yet the case. Many participants were not aware at all about the restrictions affecting refugees, mostly because they see refugees taking part in the economic life and have therefore no reason to think that the legal framework has prevented them from engaging in formal economic activities.

While most participants from the host community were not aware of the new refugee proclamation, they showed highly positive attitudes towards refugees' right to work, when pressed about their opinion on the matter. Most participants considered that allowing refugees to work would benefit the local economy, especially employers. This positive reaction was often based on the appreciation host community members have towards refugees' skills in the hospitality sector or in manual work as mechanics, metalworkers and woodworkers. Participants saw an opportunity in terms of exchange of best practice and work habits, with a mutual benefit. Nevertheless, a few respondents were concerned about the negative impact it might have on the labour market, that is, increased competition in a context where unemployment is high. Several participants stressed the importance of complementarity between refugees and hosts, arguing

93 Varalakshmi Vemuru, Aditya Sarkar and Andrea Fitri Woodhouse, "Impact of Refugees on Hosting Communities in Ethiopia: A Social Analysis".



Photo 4: May Tsebri, August 2020. © Samuel Hall

that refugees' right to work will be beneficial if it results in the development of businesses that are not yet available locally, while admitting that the outcome might be negative if refugees and hosts engage in similar economic activities.

Government officials at the zonal level showed signs of frustration and annoyance about the lack of clarity regarding the implementation of the refugee proclamation and expressed doubts regarding the impact it will have on the labour market: *"If there was no resource scarcity, it would be a good thing. But with the resources we have, with the unemployment rate we have and with the business culture we have, it will add fuel to the fire. Therefore, I don't expect that the outcome (of the proclamation) will be positive."* (KII, Zone Deputy Camp Administrator, Special Advisor on LSA, Selekleka). In May Tsebri, too, government officials were irritated by the delays in the implementation of the proclamation. ARRA officers in Shire also admitted that there has been no sign of implementation on the ground.

What is also striking is that many refugees in Shimelba, Mai Aini and Adi Harush did not know about the CRRF or the proclamation. While the vast majority acknowledged that being allowed to work, move freely and study in Ethiopia would improve their living conditions, especially for the youth, women had more reservations: *"I don't think my life will change by working here under any circumstance. Because we are here because of the oppressing leader in our country. This is not our land! I don't believe you can freely work and change your life in a country that is not ours."* (KII, Women Refugee Association, Adi Harush)



▶ 7

Conclusion

The labour market assessment in Tigray offers a deep dive into the labour dynamics in the Shire area, with a strong focus on the existing bottlenecks that hinder the region's growth. Examining the relationship between supply and demand, as well as how labour market institutions function at a regional level, provides a more contextualized snapshot that nuances national-level socio-economic indicators. While Ethiopia has displayed high levels of annual GDP growth in recent years, equating to approximately 10 per cent, and has managed to considerably reduce poverty, labour markets at the regional level continue to suffer from internal dysfunction. Importantly, such labour market constraints can have detrimental effects in refugee-hosting regions such as Tigray, which is home to 95,929 refugees, primarily from Eritrea.

The labour market challenges faced by host communities and refugees in Tigray can be clustered into three major components. Looking at the demand side, business owners, be they from the host or refugee community, struggle to launch their businesses and keep them running. The main factors that limited their business growth capacity are generally the lack of access to financial capital, the lack of market linkages and absence of a robust business network, and the difficulties of finding the right employees. The study finds that these factors tend to be exacerbated in the case of refugee entrepreneurs as they often operate informally, subsequently limiting their technical capacities and profitability. In addition, their ability to develop their business activities is further thwarted by the stringent regulations they continue to face, the primary barrier being access to formal banking institutions.

Demand-side barriers are mirrored by supply-side constraints that prevent economically active individuals from finding stable and fulfilling jobs. The availability of decent, well-paid job opportunities is contingent upon various interrelated parameters, some being more structural than others. As much as employers struggle to find adequate employees, the process of job hunting is equally strewn with obstacles: jobseekers may not have the right qualifications or skills; they may not have the right contacts that can "open doors" in a job market dominated by informal and co-opted recruitment practices; finally, they may not want to settle for low salaries that do not cover living costs or match their profile and competences. This results in a widespread underutilization of labour, affecting more particularly already disadvantaged groups such as women, youth and refugees. The unaddressed mismatch between supply and demand translates into high informality rates and the multiplication of precarious jobs that do not meet the economic and social needs of jobseekers.



Photo 5: May Tsebri, August 2020. © Samuel Hall

Labour market institutions are the actors in charge of shaping the way the supply side (jobseekers and employees) and the demand side (enterprises and employers) interact with each other, as well as making sure the labour market functions properly, in the interest of all stakeholders. In Tigray, the contribution of employment service providers, TVET institutions, NGOs and collective organizations appears to be timid, if not simply unsuited to the local context. In addition to their limited resources, Tigray's labour market institutions suffer from weak institutional capacity preventing them from doing their job correctly. Mandate overlaps, lack of relevant information and lack of coordination are some of the shortcomings that characterize public employment service providers. Regarding TVET institutions, while they are regarded as the go-to institution for jobseekers, they crucially lack training and capacity-building to fulfil their primary mission of bridging the gap between labour supply and demand. In general, labour market institutions show poor knowledge of the Tigrayan labour market, which severely incapacitates them and undermines their credibility in the eyes of other labour market actors.

The following section will turn to practical recommendations that can be implemented to better regulate the Tigrayan labour market and enable the region to reap the benefits generated by Ethiopia's flourishing economy.

8

Recommendations

Based on the analysis of the labour market and the following recommendations for the ILO, government authorities and partners aim at durable socio-economic integration of refugee communities and enhancing the efficiency of the labour market in the Shire area.

► Durable socio-economic integration of host and refugee communities in Shire

Economic development and job creation

- 1. Transform the agricultural sector into a high-growth potential industry by diversifying rural activities and creating further linkages with the manufacturing sector.** The COVID-19 pandemic has revealed the urgent need for countries to be self-sufficient in terms of food production. Indeed, as local economies shut down and countries decided to close their borders in an effort to contain the virus, countries with weak food supply chains and agricultural sectors found themselves confronted with the alarming prospect of food insecurity. Luckily, Ethiopia's economy remains largely based on agriculture, minimizing such a risk. Yet, some regions such as Tigray still display high indicators of children malnutrition. At the same time, as Tigray is located in the dry lands of Ethiopia, it is often subjected to significant climate stress and extreme weather conditions that can lead to chronic and acute hunger, affecting children first. The pandemic should therefore be viewed as a window of opportunity to further strengthen and diversify Tigray's agricultural sector. Efforts to modernize the sector and push for the intake of advanced farming techniques should be pursued. Embracing a value-chain approach, market linkages should be ensured from producers to end-buyers, bolstering the segments that are still lagging behind such as post-harvest management and processing. Finally, awareness-raising should also be carried out at the national and regional levels to shift the perception people have, especially youth, of agriculture, as being a traditional, archaic sector. On the contrary, agriculture should be showcased as a booming sector, with prospects for modernization and growth. This should help increase its attractiveness, in the eyes of young Tigrayans more particularly.

2. **Extend Labour-Intensive Public Works (LIPW) interventions to provide a living wage to vulnerable populations within host and refugee communities while developing local infrastructure.** LIPS programmes can create temporary employment and facilitate the transition of refugees to the local labour market. It is also a way to address strategic deficiencies in the region and therefore contribute to creating an enabling environment. Access should be ensured to women and youth within refugee and host communities by tailored targeting and providing services that enable them to participate, such as necessary training and childcare services for women's participation. Labour-intensive sectors for LIPWs contributing to the local infrastructure could include construction and housing.
3. **Promote the industrial and manufacturing sector to create employment and contribute to Ethiopia's economic development.** The manufacturing sector in Tigray and Ethiopia as a whole is still characterized by low productivity compared with other countries in the region. To increase the productivity and achieve structural transformation of the Ethiopian economy, the ILO should provide the government partners and relevant stakeholders with technical support to enhance the business environment and investments in physical and human capital.

Business development services and financial intermediation

4. **Expand the provision of inclusive business development services (BDS).** The business network analysis has shown that business development services are sparse in the Shire area. Yet, skills development has been mentioned as the most pressing need, especially by refugee-led businesses which believe that receiving such training would help them grow. Services provided by local authorities should expand their reach to include refugees, informal enterprises, and women-owned enterprises which are often excluded. BDS should be tailored to specific sectors and local needs and include management skills to enhance employment creation and value-added activities. ILO and its partners can provide technical and financial support to improve the targeting of vulnerable groups and their access to BDS.
5. **Support inclusive financial solutions.** The demand side analysis showed that most enterprises are struggling with accessing finance, which can be particularly devastating in times of crisis. Informal enterprises, women and refugees are experiencing a higher degree of exclusion of formal and informal financial institutions. Services should be tailored to the needs of those groups that are excluded, which can also ease the transition of an informal business to the formal economy. Encouraging the development of additional microfinance institutions (MFIs) that cater to the needs of those who are excluded from the client base of formal banking institutions should be a priority on the Government's agenda. Dedebit Microfinance appears to be the main microfinance institution with 250,000 customers across 30 branches in the Shire area. However, legal restrictions have prevented refugees from applying for loans to this day. At the same time, findings indicated that financial cooperatives, or savings and credit cooperatives (SACCOs), are almost inexistent among refugees. It is therefore important for the government to relax those restrictions and allow refugees to gradually access financial services, starting with MFIs and SACCOs.
6. **Promoting the formalization of businesses cannot rely on a one-size-fits-all approach: a rigorous diagnosis of root causes of informality should be carried out and subsequently inform the design of well-thought measures.** The two major reasons cited by unregistered enterprises in Tigray for not operating formally are the lack of benefit from being registered and the lack of information about the registration process, including where to register. In addition, self-employed hosts mentioned that business registration has been facilitated, as entrepreneurs do not have to travel all the way to Shire for the paperwork any longer. Finally, an insignificant number of unregistered businesses mentioned tax payments as their motive for refusing to register. These different findings help debunk certain myths around informality in the Shire area. They show the need to undertake an in-depth mapping of informality, both among businesses and workers, in order to devise well-targeted policies. In this case, two main measures could be designed to encourage entrepreneurs to register their business. First, awareness-raising and sensitization should be carried out in order to enhance entrepreneurs' understanding of the benefits they could get from registering their business. One way the ILO has been trying to deal with this issue is to work through financial institutions, which have proven to be

key awareness-raising actors thanks to their local embeddedness.⁹⁴ Second, if procedural aspects have been alleviated, information on the registration process is still lacking. The creation of local one-stop shops where information and administrative procedures are centralized can be useful.

Social protection

- 7. Provide social protection and support to refugee and host communities equitably.** In times of economic and social crises, socio-economic and demographic segments in Tigray are at risk of losing livelihoods. Aligned with ILO's Social Protection Floors Recommendation, 2012 (No. 202), the Federal Government of Ethiopia should be supported to expand the social protection framework to refugees residing outside of camps and ensure access for vulnerable groups in the host communities. To avoid questions of scapegoating and the emerge of social tensions during times of crisis, it is essential that the local authorities and humanitarian and development agencies provide equal support to vulnerable groups in both communities.

Social dialogue

- 8. Supporting the ILO Decent Work Agenda with a specific focus on the introduction of a minimum wage.** The analysis of the labour supply side showed that salaries are often too low to cover living costs which either lead to jobseekers turning down job offers or making individuals depend on more than one job to have a decent income. As there is currently no minimum wage in Ethiopia, the ILO and its partners should support the Federal Government of Ethiopia in the preparation and adaption of a minimum wage that covers the actual living costs.
- 9. Institutional support for effective implementation of the CRRF.** Many employers, local authorities and even refugees themselves were not aware of the rights given to refugees with the new CRRF and its implementation process. It is therefore imperative for the Federal Government of Ethiopia to raise awareness of the CRRF and work towards a roadmap for its implementation at national, regional and woreda level. Refugees need to be targeted to make them aware of their rights and enable them to access formal employment and start formal businesses.

Education, training, and capacity development

- 10. Provide access to education for refugees beyond vocational training.** Refugees access to higher education and public TVET centres is limited due to legal restrictions and their encampment. Most NGOs providing vocational training in Tigray are targeting refugees, but those trainings are often not effectively targeting the local labour demand and are disconnected from the private sector. Refugee youth, who are experienced the highest likelihood of being economically inactive, are therefore often working in low paid informal jobs or solely depend on humanitarian aid. Expanding refugees' access to higher education and effective TVET programmes will enable them to develop their full potential and contribute to the local economy.
- 11. Investments should be made in building the capacity of TVET institutions.** They should centralize timely and contextual information about the labour market, while being effectively trained to provide quality services that are adapted to the needs of jobseekers and employers. The main challenge TVET institutions face is the lack of accurate information on labour market dynamics. The government should support the creation of an information management system that could take the form of a database and harness existing technological tools. This information system should be regularly updated to reflect the labour market realities at play in the region. This gathered information, mirroring both the skills needs of jobseekers and the skills demands of employers, should help inform the diplomas

⁹⁴ Through its Microfinance for Decent Work (MF4DW) initiative, the ILO has been pushing for enterprise formalization through financial institutions. Microfinance Institutions (MFIs) have proven capable of playing a major role in running awareness raising campaigns on the benefits of registration. Some MFIs in countries where the programme was implemented have combined awareness-raising with business development services and business management training as additional incentives for formalization.

and training offered to align supply and demand. In addition, synergies should be created with other programmes that aim to address the same challenges, such as the QEP programme implemented by GIZ. Its objectives are i) to improve the quality of TVETs, ii) to expand the TVET offer and iii) to promote entrepreneurship and business in the region. In addition, the GIZ is implementing the “inclusive employment promotion programme” which aims at supporting entry-level staff by linking them with companies. Working with organizations that have already started tackling this issue can be cost-effective and helps avoid programme duplication.

Gender equality

- 12. Enhance women's participation in the local economy.** Women stressed that domestic chores, children and social expectations are barriers preventing them from taking a job. This suggests that Interventions are needed in two separate areas, that are i) the care economy, and ii) behavioural change. One intervention could be to provide services to enable more women to participate in the labour market and start their business by providing effective childcare services and increase community's awareness of gender equality in economic and social spheres. The ILO should support and work with local women's groups and civil society organizations on contextualized programmes aimed at increasing women's status, entrepreneur role and employment.
- 13. Introduce gender equality policies.** The Federal Government of Ethiopia should work towards increased participation of women in higher education and policies that promote gender equality beyond political spheres to increase women's participation in the private sector. While the government's efforts to improve women's participation in public offices in Ethiopia have been very effective, women's opportunities in the private sector are often still limited to low paid informal employment and business or certain sectors. Furthermore, some women in the Tigray region complained about a lack of support when they want to pursue higher education. Therefore, tailored support such as scholarships need to be provided to women. The ILO and its partners should work together with the Federal Government of Ethiopia on adapting effective policies and programmes to enhance women's equal participation in all spheres of the economy.
- 14. Ensure gender equality programmes and policies are inclusive.** Women are not a homogenous group, and efforts to increase their participation in political, social and economic spheres need to consider intersectional categories that differentiate women. Female refugees in Tigray are faced with constraints based on their gender and migratory status. At the same time a woman with a disability in the host community also experiences unique challenges which are not solely based on her gender. Programmes and policies need therefore be accessible to the different vulnerabilities and privileges experienced by different women, and particularly target the most vulnerable women within host and refugee communities.

Labour Market Information

- 15. Support MoLSA in establishing accelerators/innovative labs at the woreda level, aimed at providing enterprises with a platform where they can exchange ideas and challenges faced in developing new products, services and solutions for their clients.** Providing market information and technical support to businesses to help them transition to new business models at times of crisis would provide an opportunity to build the capacity of businesses in the area and create an ecosystem of innovative enterprises. Incubators based in Addis Ababa could be engaged as partners to share their experience with local level stakeholders.
- 16. Support BoLSA in the creation of effective employment services and job placement centres.** Services should include case management approaches, job counselling and intermediation with enterprises. Those services need to be tailored to vulnerable persons within the host and refugee communities, such women, persons with disabilities, ethnic minorities and/or older population groups. The ILO's technical expertise in Labour Market Information Systems can be vital to support local authorities and BoLSA in creating a roadmap to implement such effective employment services and job placement centres.



Photo 6: May Tsebri, August 2020. © Samuel Hall

17. Develop a comprehensive and accessible Labour Market Information System (LMIS). The analysis showed that the functioning of the labour market in Tigray is hindered by inefficient information availability. Information asymmetries experienced by employers and employees need to be addressed by an effective LMIS. The ILO, in partnership with local partners and authorities, should work on the development of an LMIS to make needed information. This information can range from business and job opportunities, workers' rights and obligations, recruitment channels, financial institutions to skill development opportunities for employees and enterprises.

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