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Jobs Creation
Commission

Federal Democratic Republic of Ethiopia



The jobs impact of COVID19: Rapid labour force survey (RLFS/E)

First wave, August 2020

supported by
the 'Project on Addressing the Root Causes of Migration in Ethiopia'



Embassy of Italy in Addis Ababa

SINCE
Stemming Irregular Migration
in Northern and Central Ethiopia



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Foreword

This note presents the findings of a rapid phone survey of the labour market, conducted in Ethiopia in August 2020¹. The data was collected by calling mobile phone owners using Random Digit Dialling (RDD) methods. In total, 2,500 persons aged 18 to 64 residing in urban areas² completed the survey. Questions covered the situation of respondents before the pandemic (in February) and at the time of the survey (during the previous week or month, depending on the variable)³. Some 35,000 mobile-phone users were called to reach the sample target. The survey was designed in line with the ILO Statistical Department's guidance for rapid surveys on the impact of COVID19 on the labour market⁴. This note presents the findings for the first wave of the survey. A series of rapid surveys will be carried out in 2020 and 2021, to monitor the evolving impact of the COVID19 pandemic.

Key findings

- ▶ **Unemployment** is up and **inactivity** is decreasing, as households need additional members to start earning an income. **Precarious work** is growing as formal employment shrinks and informal work progresses;
- ▶ **The crisis is hitting the weaker much harder**. Rising unemployment and loss of income have been much more marked for the least educated, who are also those for whom earning an income is a matter of survival in the very short term. While incomes from employment have remained stable in the formal sector, they have dropped significantly in the informal economy (-30%);
- ▶ **80 per cent of businesses are reporting weaker demand**, but two-thirds also report supply-side challenges. Only 7 per cent of businesses in the sample report were unaffected. As might be expected, the hardest hit sector is hospitality, bars and restaurants, with income losses of 50 per cent since February.
- ▶ **Online or home-based work** is not an option for most employees and business owners (72 and 78 per cent).
- ▶ **The outlook** in August was gloomy; 60 per cent of workers were afraid of losing their jobs in the coming weeks, and two out of three businesses expect sales in 2020 to be "much worse" than in 2019.

1 This note was prepared by Luca Fedi and Chema Triki, with help from Elisa Benes, Sevane Ananian, Niall O'Higgins, Mauricio Dierckxsens and Ruchika Bahl. The data was collected by Ethiopoll.

2 Urban centres have been defined here as settlements of 50,000 persons or more; a question on residency before the COVID19 crisis was included at the beginning of the questionnaire.

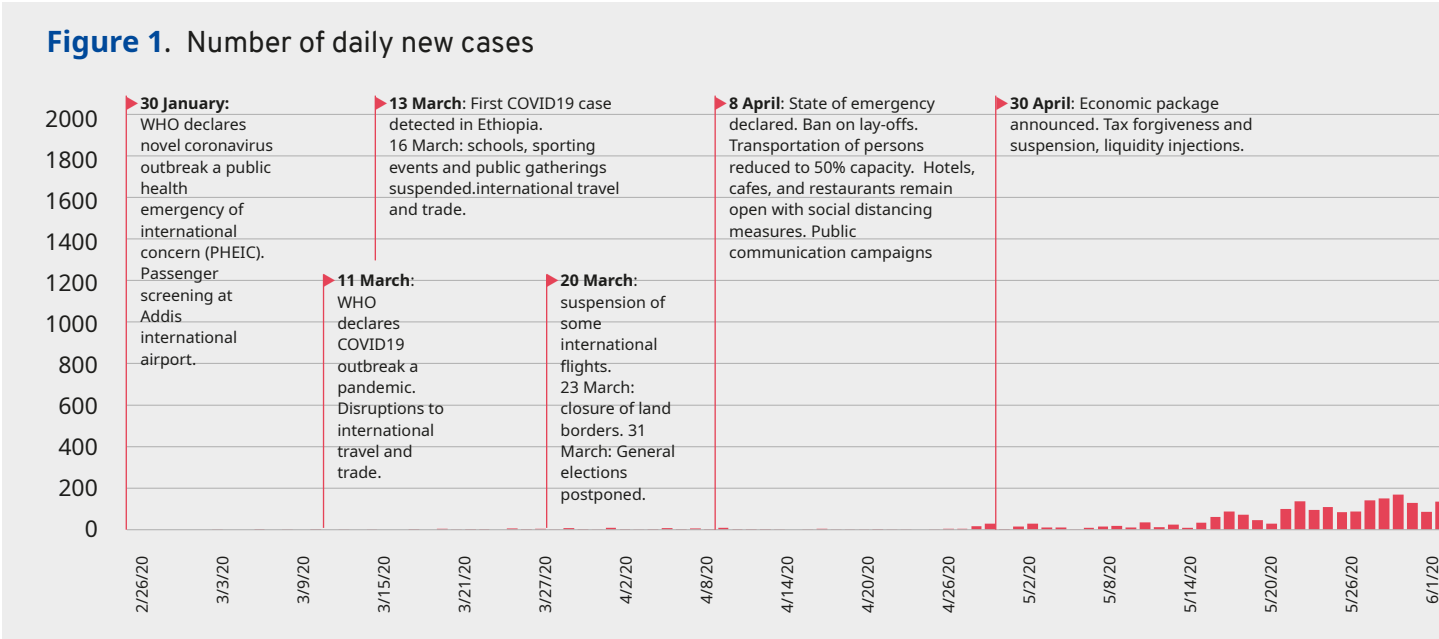
3 Within the sample, a module for enterprise owners who hire at least one employee was administered to 178 respondents.

4 ILO: COVID-19: Guidance for labour statistics data collection. Capturing impacts on employment and unpaid work using Rapid Surveys. May 2020

Sampled population, coverage and bias

Where the validity of this survey and any potential bias is concerned, the sample is comparable with the population of the Urban Employment and Unemployment Survey (UEUS), last conducted in 2018 by the Central Statistics Agency on a large, nationally representative sample. The regional distribution of our RLFS/E sample aligns well with the regional distribution of the Ethiopian population in the UEUS (see Annex for more details). Activity rates and the occupational structure of the employed also closely mirror each other. The RLFS/E sample is slightly younger and more educated than the UEUS 2018 population. The one significant difference between the two populations is in the gender distribution: the RLFS/E sample includes significantly more males (66% v. 37 per cent) while the UEUS 2018 population is more balanced. These differences are consistent with the differences to be expected between the population⁵ owning mobile phones and the general population. Differences in the way the questionnaires are structured preclude direct comparisons between survey findings on a range of indicators.

The COVID19 epidemic in Ethiopia and Government responses

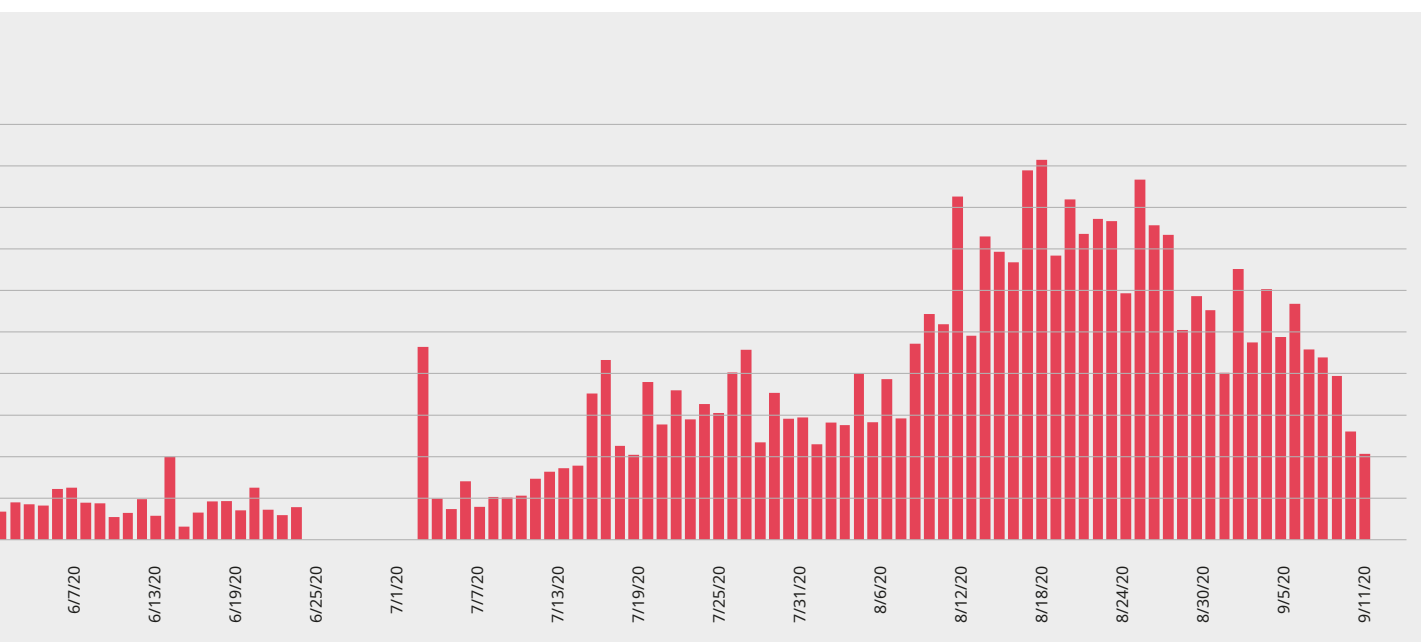


5 See inter alia: Mobile Gender Gap Report 2018, GSMA

The first case of COVID-19 in Ethiopia was recorded on 13 March 2020. The virus spread slowly until July, then progressed faster. Testing capacity has gradually increased since the beginning of the crisis, and more significantly since June: about 4,000 daily tests were performed in June and July, and almost 20,000 daily tests have been performed since August. Since the end of August, the number of new cases has decreased, as has the proportion of positive tests.

On Oxford University's index of lockdown measures, Ethiopia's lockdown ranks around the average (index of 80). Ethiopia has not closed broad sectors of the economy. The hospitality, food and transportation sectors have been required to impose social distancing measures, but have not been closed down (with the exception of night clubs).

The Government expects GDP to drop by 3 percentage points during the 2019/2020 fiscal year. Key measures to support the economy have included liquidity injections by the Central Bank, totalling some 21 billion birr (USD 0.6 billion, 0.7 per cent of GDP), to allow for debt restructuring and prevent bankruptcies. Financial regulations have been eased, including allowing non-financial firms to issue payment instruments (including mobile money) and softening the non-performing loans directive. Fiscal measures have included a waiver of corporate income tax for four months and the postponement of VAT returns. On the social front, the Government has introduced price controls and supply-chain measures on key customer goods. A workplace response protocol has been announced by the Ministry of Labour, to promote collective bargaining in workplaces.



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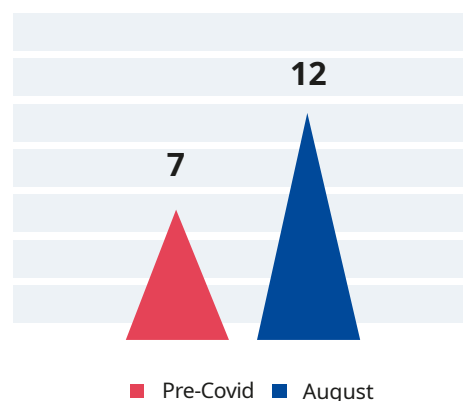
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1. Employment and unemployment

This and subsequent surveys are designed to measure unemployment over the week preceding each survey, to allow for comparisons across the successive waves. A baseline estimate for the pre-COVID-19 situation has been produced for this first wave, and is presented here⁶. Unemployment has increased significantly between the pre-COVID estimate and the August measure. It is worth noting that not all of these additional job-seekers have lost their jobs in the interval; as further illustrated below, a large share of formerly inactive persons have started seeking employment

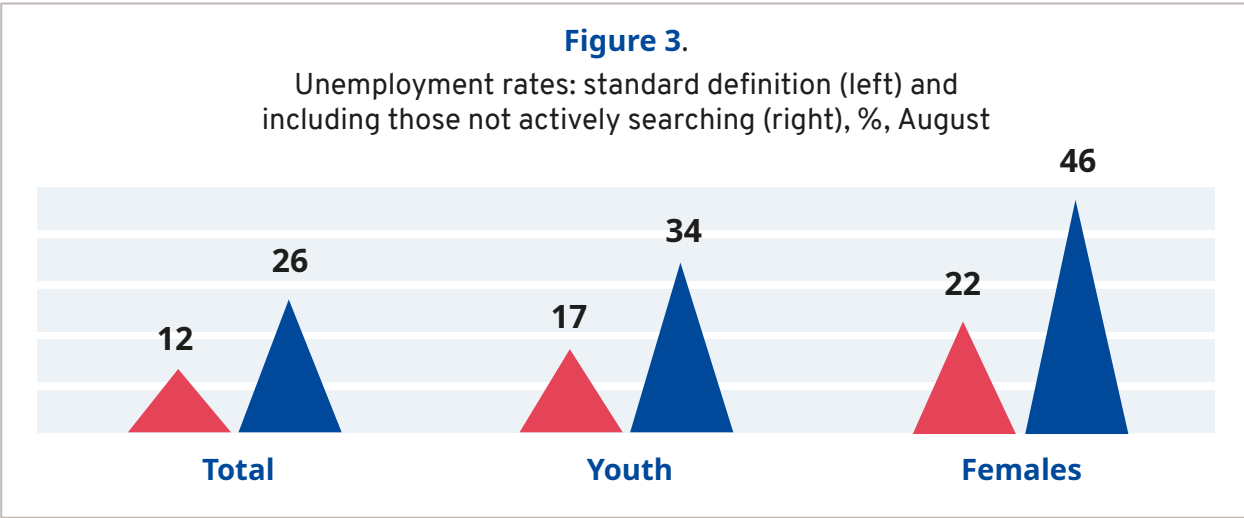
COVID-19 has also limited opportunities to look for jobs: among those in the potential labour force, 73 per cent were not searching for a job “because of COVID-19”. It is therefore useful to consider additional measures of labour underutilization. When those who are not *actively searching for a job*⁷, are added to the number of unemployed, both the extent of unemployment and disparities by age and gender are magnified. When focusing on labour underutilisation (LU3), both the impact and disparities by age and gender are magnified.

Figure 2.
Unemployment rates,
February and August, %



⁶ In our questionnaire, the procedure adopted for establishing February’s “baseline” estimate is not the same as the procedure used for estimating unemployment in August. There is greater precision in the August figure, and some memory effects can also not be discounted for the earlier figure.

⁷ This is referred to in labour statistics as “the combined rate of unemployment and potential labour force”, or LU3. See for reference: 19th ICLS, para. 73(c): http://www.ilo.ch/wcmsp5/groups/public/---dgreports/---stat/documents/normativeinstrument/wcms_230304.pdf and https://www.ilo.org/wcmsp5/groups/public/---dgreports/---stat/documents/publication/wcms_644467.pdf



Formal employment is contracting. Inactivity (the number of persons who do not want to work) is also decreasing, as households require a second or third member to start earning an income.

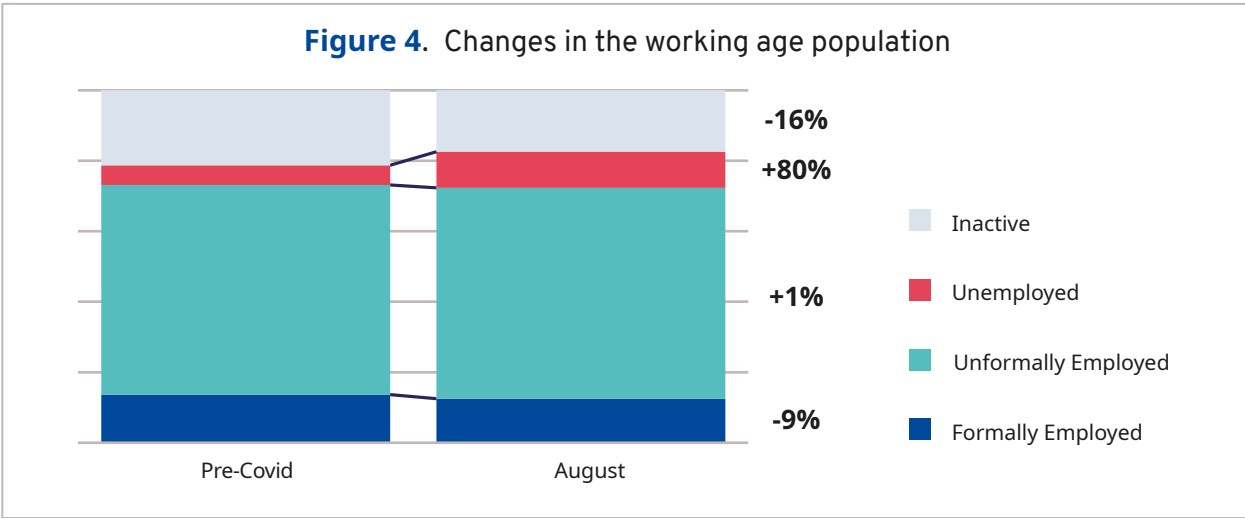
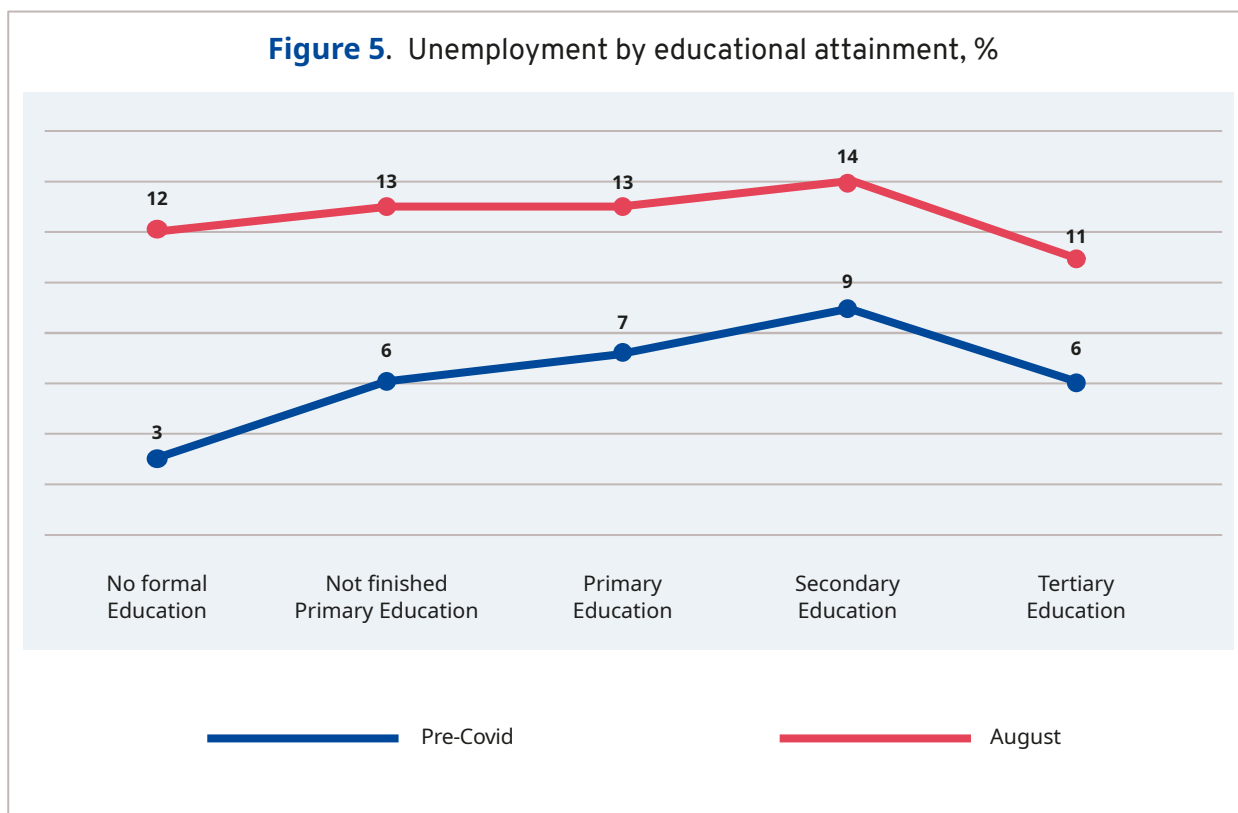


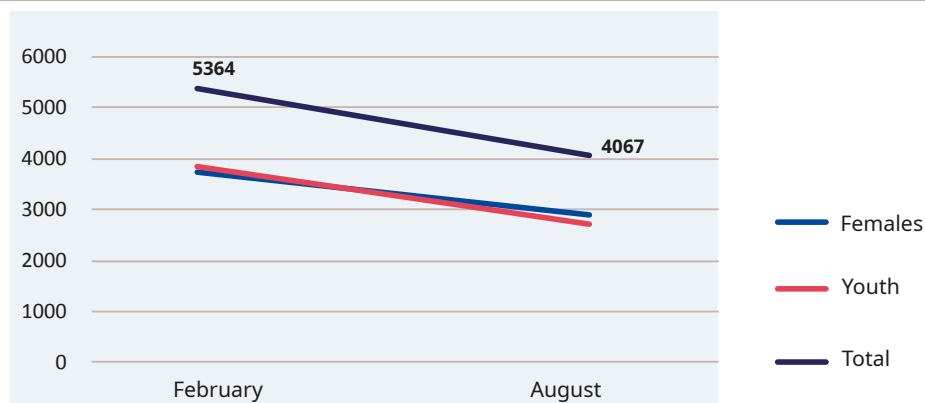
Figure 5. Unemployment by educational attainment, %

Prior to the COVID-19 epidemic, as in other African countries⁸, those with a higher level of educational attainment were more likely to be unemployed. Such people are more likely to have the means to look for a job and wait for a suitable one to come along, rather than take up the first income-generating opportunity that presents itself. Since March, rising unemployment has had the most significant effect on those with lower educational attainment, in other words those for whom earning an income is a matter of survival in the very short term.

⁸ See for instance the ILO Report on employment in Africa, 2020. https://www.ilo.org/wcmsp5/groups/public/---africa/---ro-abidjan/documents/publication/wcms_753300.pdf

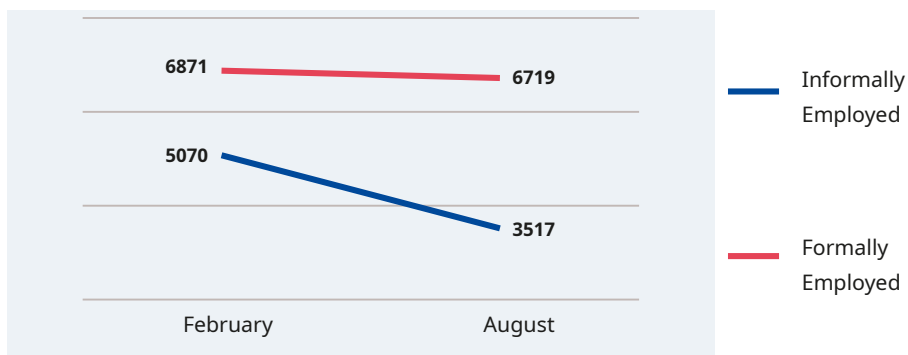
2. Wages and incomes

Figure 6.
Mean net
monthly labour
income,
pre COVID19
and
August 2020



Data from our sample shows a drop of 24 per cent in mean monthly income from employment between February and July⁹. The drop affects both genders and cuts across age groups.

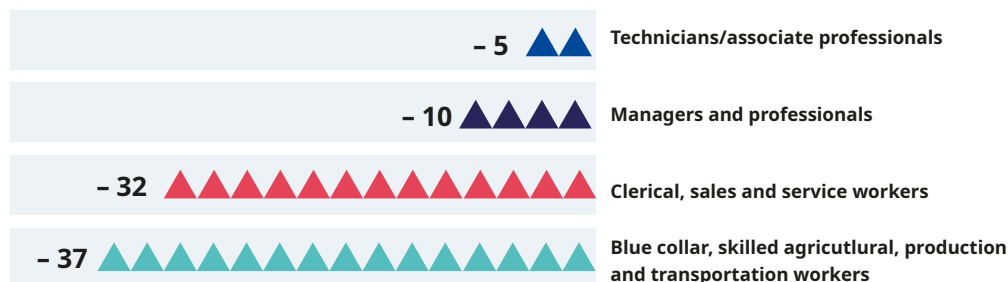
Figure 7.
Mean labour
incomes:
formal and informal
employment,
(Ethiopian Birr)



⁹ The data does not take inflation into account; the drop in real labour incomes is therefore in fact more pronounced. Labour incomes include both the wages of employees and incomes from self-employment. About 25 per cent of the employed persons in the sample did not respond to the questions on labour incomes in February or in August. A complementary analysis of wages and incomes will be conducted and presented separately.

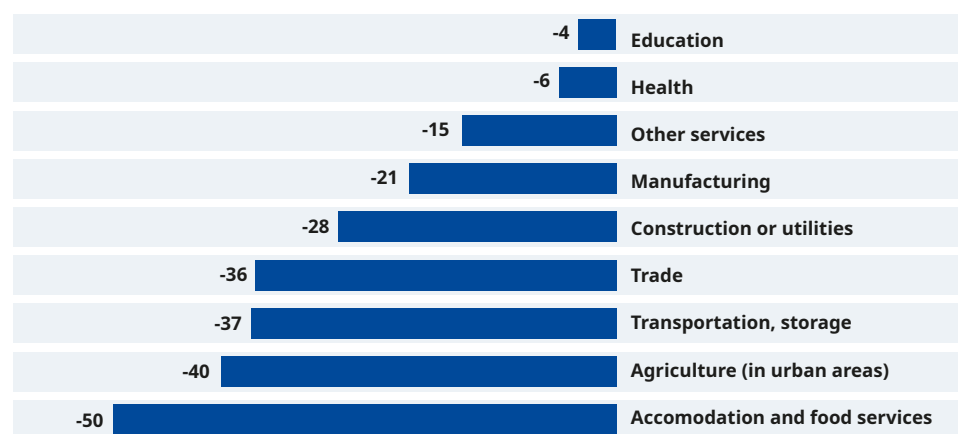
Labour income levels are largely unchanged among formal workers since February (-2%). Losses concentrate among the informally employed (-30%).¹⁰

Figure 8.
Change in
mean wages,
by occupation
level,
Feb-Aug 2020
(%)



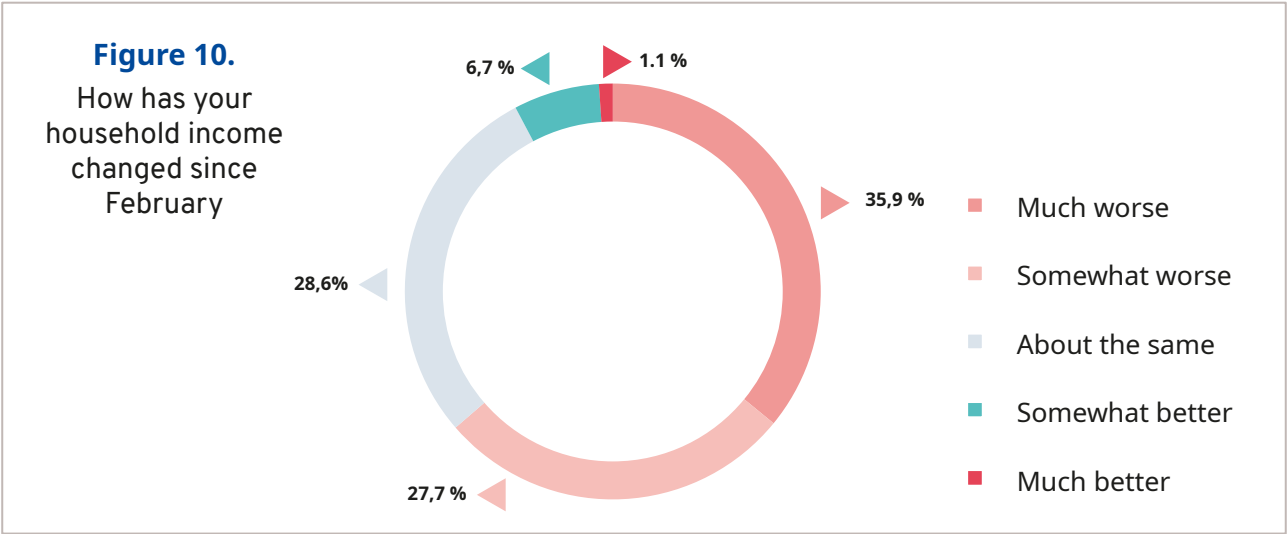
Low-skilled workers have suffered much larger labour income contractions than high-skilled workers and managers.

Figure 9.
Change in mean
monthly wages,
Feb-Aug,
by sector (%)



¹⁰ This apparent stability could be due in part to changes in the composition of the population in formal employment, as unskilled workers may have been more at risk of losing their jobs, although the freeze in lay-offs imposed by the Government has predictably contained this in the formal sector.

As might be expected, labour income losses vary largely between sectors. Hospitality, bars and restaurants are the hardest hit, with a mean labour income loss of 50 per cent. Urban agriculture¹¹, logistics and trade are also heavily affected.



63% of respondents indicate their incomes have dropped since February.

¹¹ Urban agriculture is only a small fraction of the overall agricultural sector.

3. Entrepreneurs and small businesses

Figure 11.

How do your sales compare to last year's?

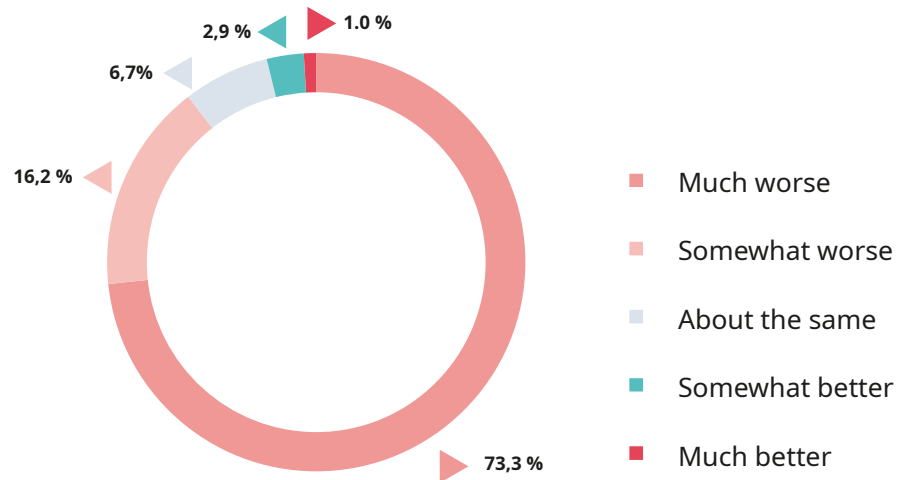


Figure 12.

Sales compared to last year: share of “much worse” answers by economic sector (%)

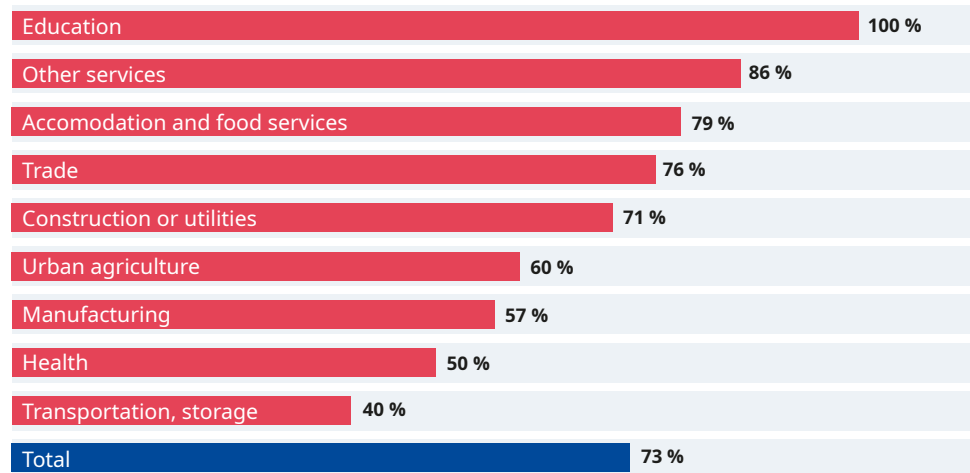
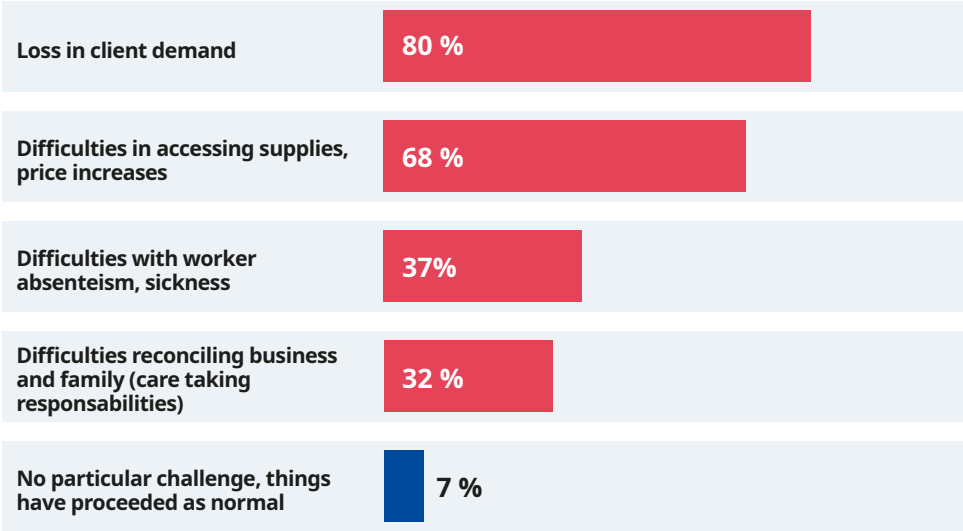
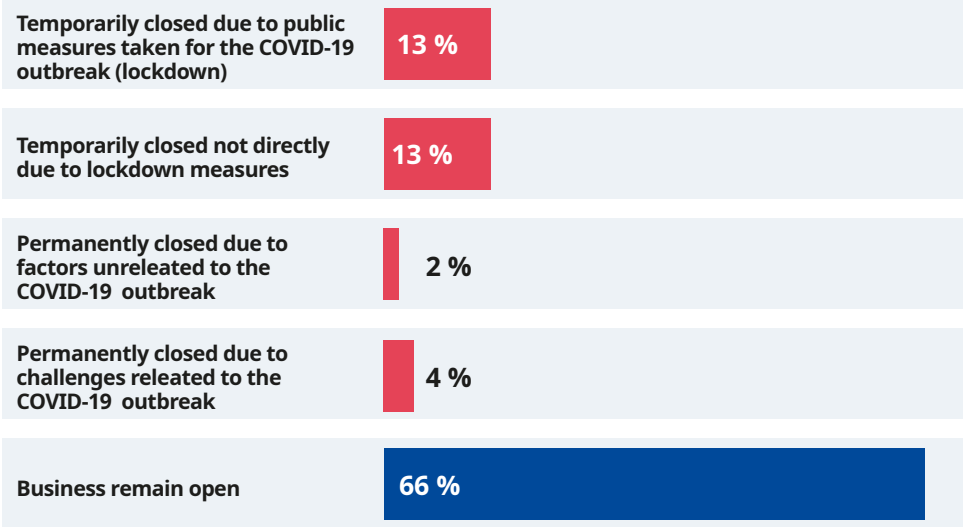


Figure 13.
Business
challenges



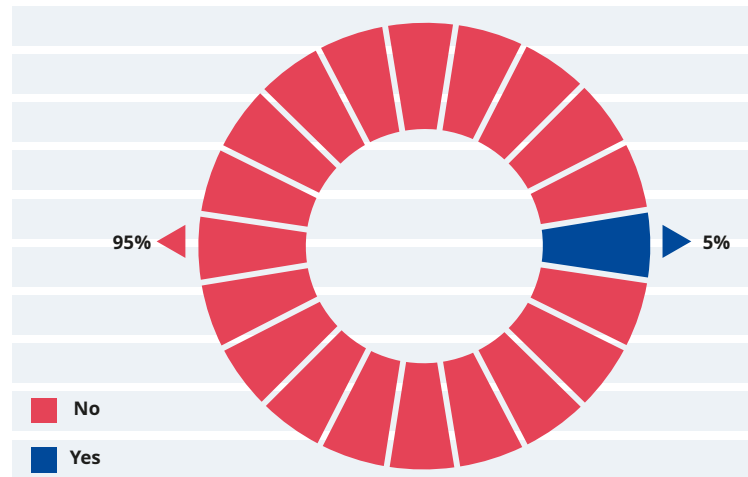
Eighty per cent of businesses are reporting weaker demand and two-thirds report supply-side challenges. Only 7 per cent report being unaffected. The impact on business revenue is severe across sectors; business owners in education (locked-down sector), hospitality, food and trade are more numerous in reporting that sales will be “much worse” this year compared to the last.

Figure 14.
Business
status



Only 5 per cent of businesses indicate that they have accessed government support, though it is worth noting that the financial liquidity and regulatory measures taken by the central bank would probably not be identifiable by enterprises as government support.

Figure 15.
Access to public
support for
enterprises



4. Have you had to...? Household coping strategies

Figure 16.

Since the end of February 2020, have you or any member of your household had to...?

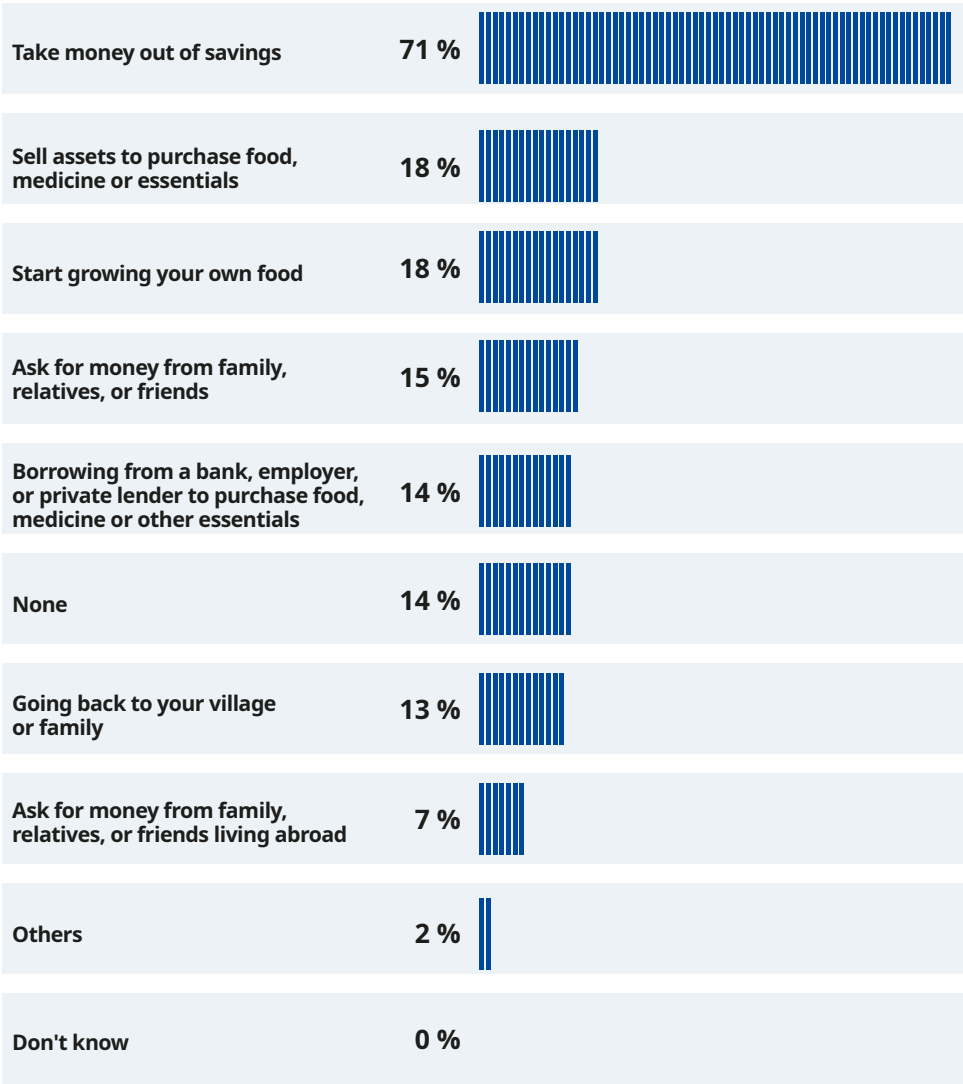


Figure 17.

Last week, have you or any household member experienced...

Reduced food consumption

34 %

Unable to buy the amount of food we usually buy because our household income has dropped

43.3 %

Unable to buy the amount of food we usually buy because the price of food increased

68,9 %

Unable to buy the amount of food we usually buy because of shortages of food in markets

44.2 %

Difficulties in going to food markets due to mobility restrictions imposed by government/closures

26,1 %

A third of households had had to reduce their food consumption in the week immediately preceding the interview.

Figure 18.

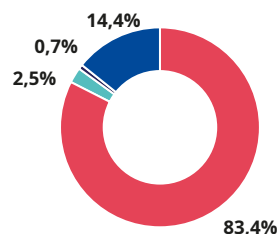
In the past month, did you receive any food, cash or other support from the government that you do NOT usually receive?

No, none

Food

Cash

PPEs such as gloves, masks, soap, sanitizer

**Figure 19.**

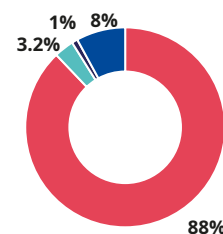
Additional public support within those who had to reduce their food intake

No, none

Food

Cash

PPEs such as gloves, masks, soap, sanitizer



Only 3 per cent had received social assistance in the form of cash or food in addition to pre-existing government programmes. Among those who said they had had to reduce their food intake, the share of those receiving food or cash was only slightly higher, at 4 per cent.

5. Shift to online and home-based work

Figure 20.

Employees

Since February, have you been able to do more work from home or online?

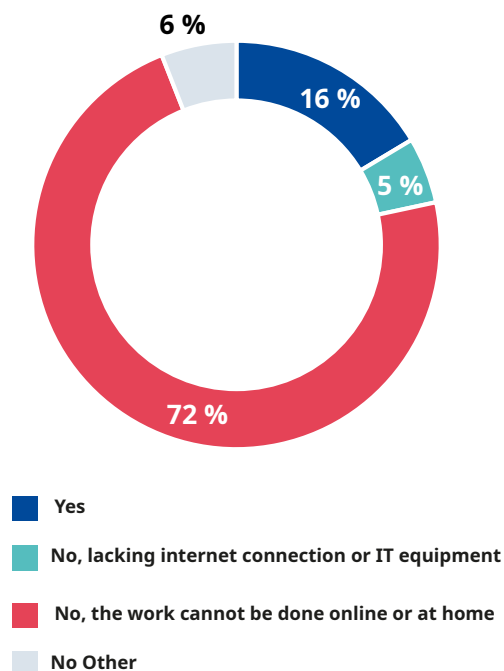
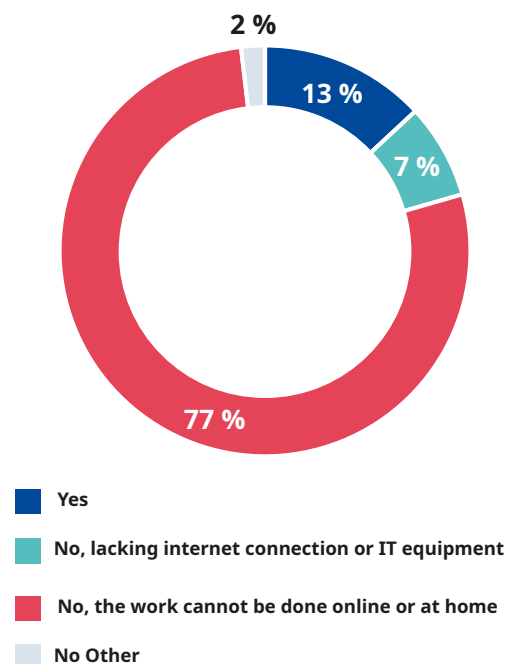


Figure 21.

Business owners

Since February, have you been able to do more work from home or online?



Sixteen per cent of employees and 13 per cent of business owners have been able to shift some of their work online or to their home. Another 5 and 7 per cent respectively have not been able to do so for lack of IT equipment and connectivity. For most (72 and 78 per cent), home-based or online work is not an option.

6. The outlook

Figure 22.

I'm very worried about losing my job

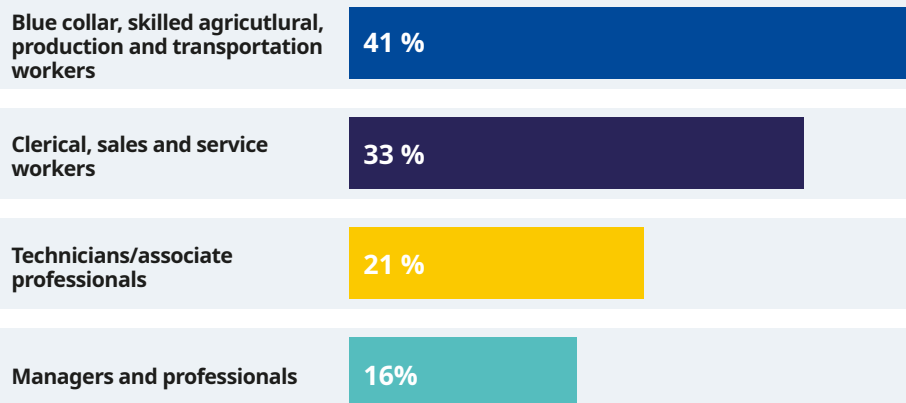


Figure 23.

I'm very worried about losing my job

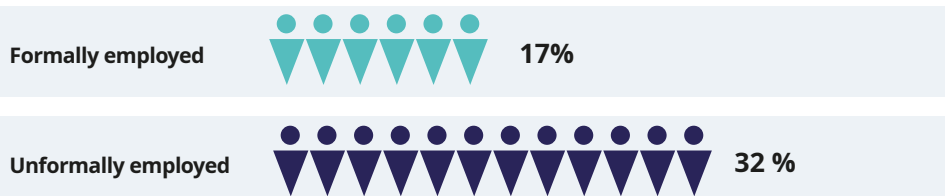
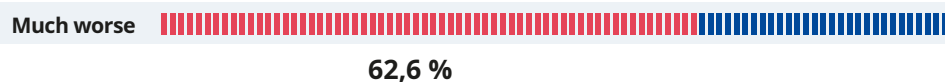


Figure 24.

Businesses: outlook for sales in 2020 compared to 2019



In August, the outlook for workers and businesses was quite gloomy. Sixty per cent of workers were afraid of losing their jobs, and two thirds of businesses expected sales in 2020 to be “much worse” than in 2019. The informally employed and those in low-skilled jobs were much more likely to be “very worried”.

Annex

Survey methods and implementation

A frame of 40,000 random presumed mobile numbers was generated, based on an estimated ratio of completed interviews on lines to be called. 35,642 mobile phone users were actually contacted before the set target of 2,500 completed interviews (7 per cent) was reached. The distribution of phone call outcomes is shown in the table below. 60 per cent of valid calls¹² resulted in a completed interview, 18 per cent refused the interview or did not complete it, and 22 per cent did not speak one of the four languages of the survey (Amharic, Affan Oromo, Tigrigna and Somali).

When a respondent did not speak the language of a given enumerator, a second call by another enumerator speaking the language was arranged. Phone calls were conducted from Monday to Saturday between 8.30 a.m. and 6.00 p.m., and on Sundays between 10.00 a.m. and 6.00 p.m. Requests to reschedule calls were accepted and some call-backs were made outside these hours. Active lines that were not answered were tried three times at least at three hours intervals.

Phone call outcomes

Inactive	15,741
No answer after 3 attempts	13,798
Not eligible	1,877
Not completed, refused	784
Did not speak one of the 4 languages of the survey	950
Completed questionnaires	2,533
Total	35,642

12 Not counting inactive lines, lines not answered after three attempts, and non-eligible respondents (age and residence

Benchmarking this survey with the UEUS 2018

It is useful to compare the socio-demographic characteristics of our sample with large-sample surveys conducted by the Central Statistics Agency of Ethiopia. The Urban Employment and Unemployment Survey of 2018, conducted by Ethiopia's Central Statistics Agency, is both the most recent and the most relevant wide-sample survey for a socio-demographic comparison of the characteristics of our sample with the general population of urban Ethiopia.

- ▶ Our sample includes a significantly higher share of males than females (67-33%), while the UEUS 2018 sample finds a higher presence of females in urban areas; this probably reflects a significant gender gap in mobile phone ownership in Ethiopia, as is the case in other African countries and world regions.
- ▶ Our sample includes fewer persons in the older age groups (35-54 and 55-64) and more in younger age groups.
- ▶ Our sample includes fewer persons with "primary attainment or less" and "secondary attainment", and a higher presence of tertiary graduates. As well as an increase in the share of tertiary attainment since 2018 and the gender bias in mobile phone ownership, this may be related to the broader definition of urban areas in the UEUS (i.e. settlements of more than 1,000 persons), as compared to the definition used here (settlements of more than 50,000 inhabitants). Tertiary graduates are less likely to be found in a sample including smaller towns.
- ▶ The distribution of occupations in our sample closely mirrors the UEUS 2018 distribution. The UEUS sample includes more top-level occupations – managers and professionals – than technicians and associate professionals, probably on account of issues with the definition and coding of "managers". The expected hierarchy between occupational levels is found on our sample.
- ▶ The overall economic participation rate of our sample is close to the rate measured by the UEUS 2018 survey: for those aged 18-64, the rate measured by the UEUS in 2018 was 79 per cent; in our survey (pre-Covid), it is 77 per cent.

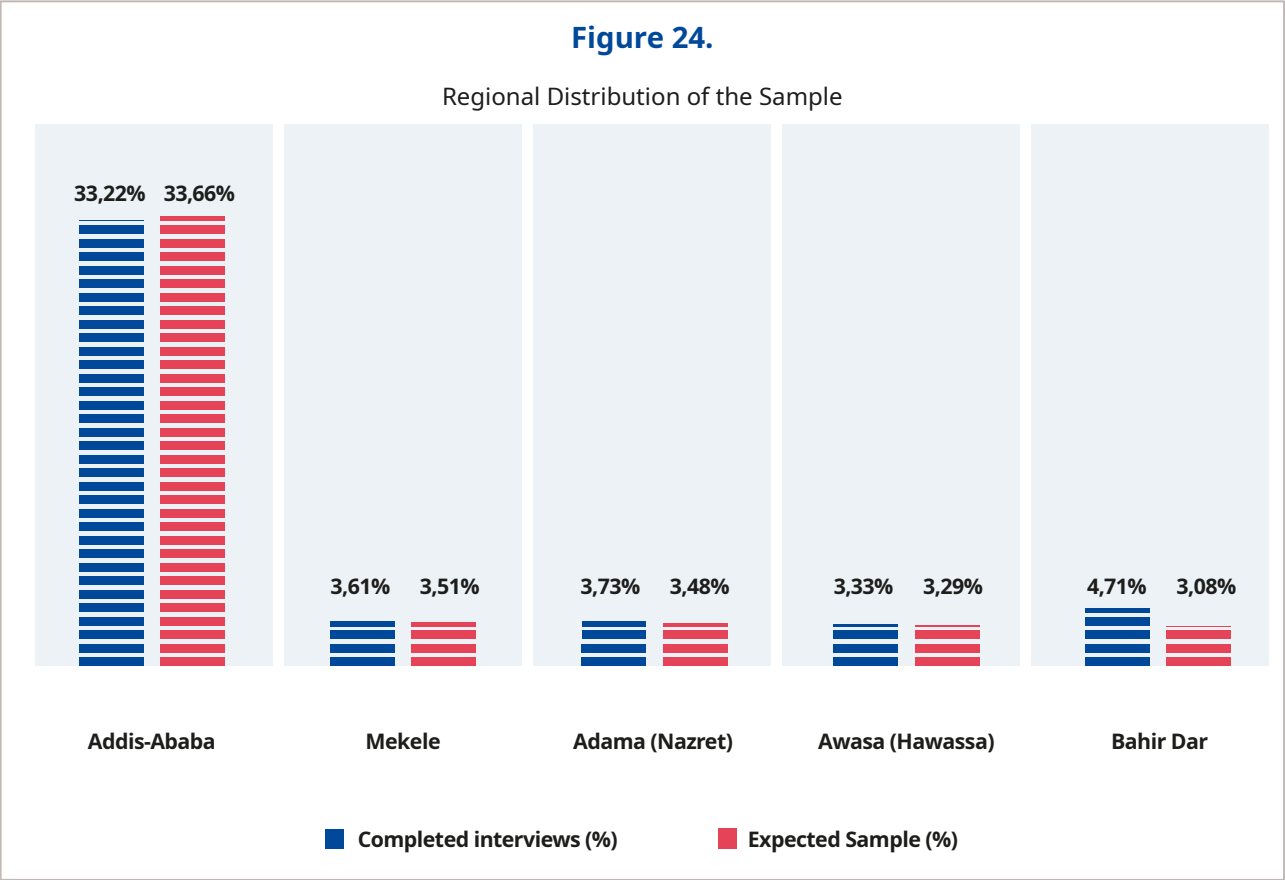


Figure 25.

Sample population by age group

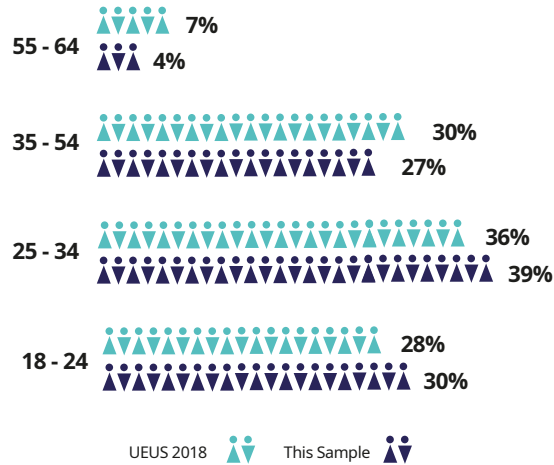


Figure 26.

Sample population by educational attainment

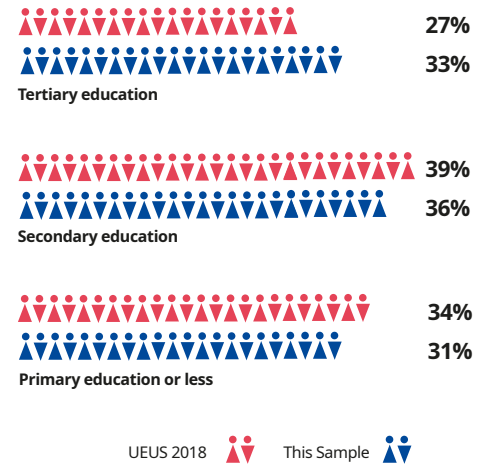


Figure 27.

Sample population by occupation

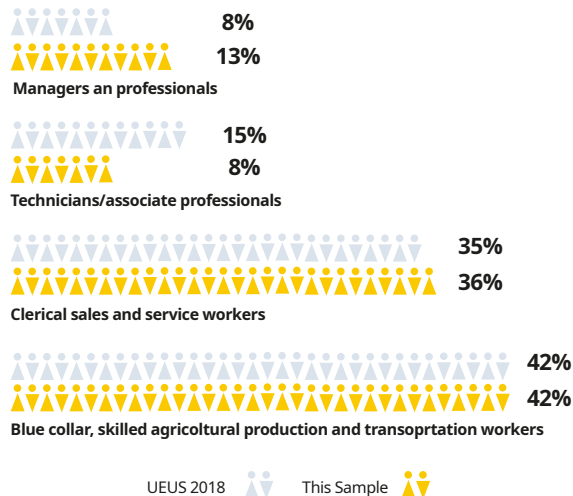
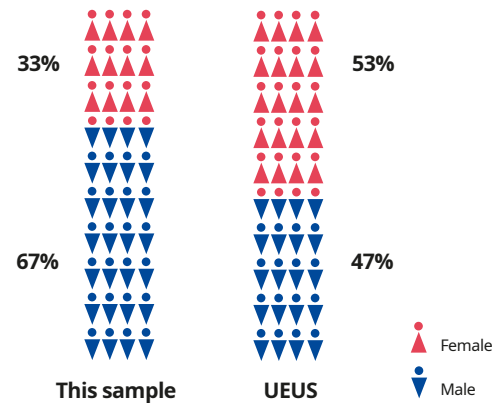


Figure 28.

Gender distribution



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