JOB SEARCH BEHAVIOUR OF UNEMPLOYED IN ETHIOPIA: A CASE STUDY OF ADDIS ABABA

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Job Search Behaviour of Unemployed in Ethiopia: A Case Study of Addis Ababa

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ABSTRACT

The objective of this study is to analyze the behaviour of unemployed job seekers. The data used was collected from urban area utilizing systemic random sampling method.

A job search model was adapted from an earlier simultaneous search model developed by Stephenson (1976). This model was estimated by use of Ordinary Least Square estimation technique.

Analysis was done in two sections. The first section employed simple algebraic measure (i.e percentages) while the second section utilized regression analysis

The study found that: most of the job searchers are single, young, secondary school completed, untrained for the job they seek, indigenous of the area under study, had not been employed before had been unemployed for more than a year and used answering newspaper advertisements to look for jobs. The majority of females were untrained for the job they seek. Search duration was the best fitting equation.It was found to be significantly determined by age, search extensiveness, training and subsidy of basic needs. Other variables,namely the estimated tenure of job, search cost and reservation wage were found to be determined by quit decision, marital status and education respectively.

The policy recommendations arising from this study result on how to reduce the number of unemployed jobs seeker include: increasing training institutions with a curriculum which recognize the existing and future labour demand for the Ethiopian economy, keeping females longer in training institutions to reverse the existing situation of their state of long duration of unemployment so that they could join the labour market while not very young and finally increase the assistance for the informal sector which trained the majority of trained respondents.

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CHAPTER 1

1. INTRODUCTION

1.1 BACKGROUND INFORMATION

Ethiopia with a population of more than 60 million and a traditional subsistence economy, had unemployment rate of 2.93 per cent according to Central Statistical Authority Report of 1994. In the 1980's the population was growing at 3 percent per year where as the economy was growing at 2 percent per annum. This may suggest that the problems in future could get worse than in previous periods, with accelerating pressures operating both on the demand and supply sides.

According to ILO (1993) report, the majority of workers are to be found in self and family employment and the majority of wage employees are employed by government and small private entrepreneurs in the urban areas.

There is a change in government policy affecting the functions of the labour market. With policy emphasis now shifting to privatization of the economy and the operatives of free factor and labour market university graduates are forced to seek employment increasingly outside the public economy. However, retrenchment and down-sizing of the public economy is not compensated by growth of the private economy.

As a result, the unemployment growth rates both for skilled/educated labour and for the working age population generally are on the increase (i.e high growth of the working age).

Hight population growth, increasing urban rural migration and low economic growth (both in the public and private sector economies) have been responsible for the present high rate of growth of unemployment. Although the relative significance has not

been measured, lack of labour market information and mal-functioning labour markets also contribute by aggravating the unemployment problems.

1.2 Labour Force Growth

According to the 1984 and 1994 censuses of CSA (Central Statistic Authority),the labour force of the country can be differentiated by sex and geographic location.

On the basis of 1984 and 1994 censuses, we can estimate the trend of unemployment in the economy by looking at the size of the total labour force the unemployment rate and their growth rates. In 1984 the total labour force had been estimated to be 14.7 million with activity rate of 67.2. This figure increased to 26.6 in 1994 with activity rate of 72.5. This implies that the labour force had grown by 81% within the decade.In the year 2004 the labour force of the country will be 48.1 million if these trends continued.

The number of economically active female increased by 5,363,136 form 1984 to 1994. The urban centre accounted for only 10.7 per cent of this increment. Between 1984 and 1994 the level of employed female increased by 5,091,583 (out of this 6.9 percent was in urban areas). The increase for the unemployed were estimated at 271,553 for the decade. On the other hand, economically active males increased by 6,532,688 between the period 1984 and 1994.The share of urban areas was 11.6 percent of this increase.. In the same period the level of employment for males increased by 6,194,340 (8.8% belong to urban). That is growth of unemployment for males was 338.348 in the 10 years ending 1994.

In general, these show that excess flow of labour supply when we compare it with the subsistence economy which had been highly affected by war and repeated

famine for the last three decades. These calamities caused death and disabilities in hundreds of thousands.Such a misallocation of human resource adversely affects economic growth.

1.3 Unemployment in Ethiopia

On the basis of the 1984 and 1994 censuses of the Central Statistical Authority, the unemployed of the country can be differentiated by sex, age and geographical location. The unemployment rate had been 1.2 in 1984 and 2.93 in 1994. Thus within the decade the rate had grown by 144 percent. If it continue by the same rate in year 2004 the rate of unemployment will be 7.15. This implies that there will be 3.5 million residual labour force.

In 1984,46 percent of the unemployed where illiterate and only 17 percent completed grade 12. But because of expansion of educational centre the figure for the above groups had been reversed in 1994, i.e 30 percent for 12^{the} grade and 23 percent for the illiterate. Males are more educated than females and even the gap did not appears to be narrowing in the period.

According to the two years censuses report, the unemployment rate for the age group 10-24 years dominated by females while for 25 and above males are dominant. This shows that the fact that males in Ethiopia remain longer in schools than females.

Based on geographic location, the urban unemployment rate raised from 7.9 in 1984 to 22.03 in 1994. The figure for rural changed form 0.4 to 0.79 in respected years. The problem seems serious for urban than rural. This may be attributed to the increasing of rural urban migration for seeking employment and demanding of attractive urban facilities. Also the difficulty of measuring the disguised form of rural unemployment may be another reason.

In general the year 2004 unemployment rate will be almost six times the 1984. But estimation of extent of unemployment is difficult. It is much more so in case of rural areas in particular where agricultural areas, since the unemployment is in disguised form. On the other hand population also can be checked negatively by war, disease and famine. Thus this rate may not be as expected.

1.4 Statement of the Problem

Unemployment is not a unique phenomenon of any one country in the world. It is wide-spread in most economies of the world and particularly in third world countries. This may be attributed to the latter's high rate of population growth and low rate of employment creation because of lack of adequate economic growth.

According to recent studies "a remarkable trend of increase in the level of open unemployment which is observed in the urban areas is partly attributed to the rural-urban labour migration seeking urban employment. Furthermore, the problem of open unemployment is a common feature of urban areas, while it is disguised unemployment which characterizes the rural economic sector" (Abebe pp.4)

Though some haye been done to tackle the unemployment problem, (particulary from the direction of investment and population control) less effort has been devoted to information gaps and time lags. Policies and strategies used dealt narrowly or rather neglected the troubles faced by job searchers in their endeavour to get acceptable job offers. That is, the problem of unemployment has never been approached from the job seekers dimension. The government has been merely concerned with job opportunities, but not on the problems the prospective employee encounters while in the process of search.

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There has never been a study investigating job search variations in Ethiopia. This study attempts to provide a comprehensive analysis of behaviour of unemployed job searchers. It bridges the existing information gap about individuals searching for employment by applying both descriptive and econometric tools in the analysis.

1.5 Objective of the Study

The main objective of this study is to analysis the behaviour of unemployed job seekers in Ethiopia. We have laid more emphasis on the following:

i) analysis of socio-economic profile of unemployed job seekers

ii) identification and qualification of job search variables

iii)estimation of a job search model

iv) ascertaining the relative importance of these search variables and

v) on the basis of empirical results in (i) to (iv) explore policy implications on how to reduce the number of unemployed job seekers in Ethiopia.

1.6 significance of the Study

The study attempts of fill the existing information gap about socio-economic profile of unemployed job seekers and how they behave while trying to get themselves acceptable job offers. The characteristics of job seekers and interrelationships of job search variables is of paramount importance in our economy.

First, with the rapidly increasing population, coupled with the low rate of job creation in our economy, the problem of unemployment is worsening day by day. We therefore need full information concerning job search to come up with appropriate polices which will help us to alleviate the problem

Second, job seekers are un-utilized economic assets who if put into use, could increase the Gross Domestic Product and hence bring about economic growth. If information concerning their sex, age, education and other personal characteristics is available, it can be utilized to see how best they can be put into various economic activities in our economy. This will accelerate economic growth.

Third, information on job search variations is essential in order to understand which of search variables are more decisive in job search. The most effective variables can be manipulated to reduce the duration of unemployment and hence under-utilization of economic resources to attain a near optimum utilization of our resource endowment.

Fourth, information on both personal characteristics and job search variations is necessary in order to assist job seekers in their efforts to get acceptable offers. The assistance may be in the form of monetary, in kind or advice during the time that they are involved in job search.

Finally, employment problems can not be effectively solved by a program of investment or out put expansion alone or by a development strategy that conceives and treats it as a secondary consideration" (Mulat 1991, P 231-232). It must be treated separately with its own factors. One of such factors is the behaviour of unemployed job searchers. Thus a study based on this factor will establish grounds for precise policy formulation on how the unemployed job seeker can be assisted as well as curbing the problems of unemployment.

1.7 Organization of the Paper

Chapter one is introduction and covers objectives of the study, statement of the problems and its significance. Information on past search models and empirical results together with a survey of theoretical studies is contained in chapter two. Chapter three

deals with research methodology where data type and use, area of study, sampling procedure, job search model and analytical techniques are presented. Chapter four gives analysis and interpretations of empirical results,. Finally, conclusions drawn from the analysis of the data collected and policy implications as well as recommendations for further studies are covered in chapter five.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The existing litterateur on job search in developing countries is scanty. However, quite a lot has been done on job search particulary in the developed countries. This section highlights on various components covered by the past theoretical and empirical work on job search. The section starts with considering briefly a few of job search models developed. Secondly, it covers how major search variables are affected by socio economic factors since in most search models this relation is considered more important than the model itself. After a review of the past work done, an overview of that work is given and finally, the divergence of this study from the past work is outlined briefly.

2.2. Past Job Search Models

Almost all researchers on job search model used reservation wage as a starting point for the theory. They believe that job seekers will reject job offers below their preconceived reservation wage and accept any offer at least greater than that. McCall (1970) developed a simple job search model. In his model, a job seeker is assumed to know both the distribution of wages for his particular skill and the cost of getting an offer. McCall's optimal policy for a job searcher is to reject all offers below a simple critical number and accept any offer above this critical number. In deriving this result, he used the following symbols.

C = Cost of search per period of time,

X = a random variable denoting the job offer,

0(x) = the probability density function of X,

f(x) = Maximum return obtained when a job offer x has just been observed.

McCall argues that search cost, (c), is incurred simultaneously with job offer, X. Further, if employment commences after N job offers, the return, f, is the value of the numbers of job offers:

$$f = -X_n - CN$$

If a job offer, X, is observed at the first period and the process continues in optimal fashion thereafter, the return is given by

$$f(x) = -c + \max(x, E(f(X))$$

If we let $E = E(f(x))$, then the optimal policy has the following form:

Continue searching if $X < E$

Accept employment if $X \geq E$

This implies that a job seeker will only accept an offer if it is at least greater than his reservation wage, otherwise he rejects it.

Although this model provides logically how a job seeker makes a decision on whether to accept or to reject an offer, it fails in assuming he knows his search costs and has a fixed reservation wage. As will become evident in the remaining literature reservation wages are not fixed, nor does a job seeker has perfect knowledge of labour market conditions including the search costs.

Stephenson (1976) developed and estimated a simultaneous equation model to analyze Indianapolis youth job search behaviour. The model had four linear equations whose endogenous variables were relative reservation wage, planned tenure of the next

job, the direct cost of search and the unemployment duration. When estimated the explanatory power of the model was generally low with most of the variables used being statistically insignificant as shown below.

In his first equation, (the structural form of the equation found in chapter three of this paper) relative reservation wage was the endogenous variable while direct costs, duration of unemployment, race, age, financial risk and physical risk were explanatory variables. After estimation of this equation only duration of unemployment and physical risk were significant at 95% level of confidence but the other variables were statistically insignificant. The coefficient of determination of this equation was 4%. After disintegration of the equation on racial basis, none of the variables was statistically significant in case of whites, but un-employment duration and financial risk were statistically significant at 95% level of confidence in case of blacks. The coefficient of determination for the separate equations of whites and blacks concurred at 6%.

Tenure on the next job was the endogenous variable of the second equation, While duration of unemployment, race,age, financial risk, physical risk and search extensiveness were the explanatory variables. When estimated, only duration of unemployment, race, age and search extensiveness were statistically significant at 95% level of confidence but financial and physical risks were not. The coefficient of determination for the equation was 15%. when disintegrated into racial basis, age and search extensiveness were statistically significant at 95% level of confidence in case of whites, while, only age and financial risk were statistically significant at 95% level of confidence in case of blacks. The coefficient of determination on racial basis differed sharply with whites having a higher explanatory power of 31%, while, blacks had a lower R^2 at 9%.

Direct costs was the dependent variable of the third equation and duration of unemployment, race, age, assets and search extensiveness were the independent variables. when estimated, only race and assets were statistically significant at 95% level of confidence while the others were not. These five variables explained only 8% of the variations. When disintegrated into blacks and whites, none of the variables was significant in case of blacks equation but only assets was statistically significant at 95% level of confidence in case of whites equation. Thee coefficient of determination for blacks was 4% while that of whites was 6%

Duration of unemployment was the endogenous variable for the final equation and relative reservation wage, direct costs, duration of unemployment, race, age, financial risk, physical risk, assets and search extensiveness were the explanatory variables. All these eight variables explained only 14% of the variations and only physical risk was statistically significant at 95% level of confidence. None of the variables was statistically significant in case of black, but physical risk was statistically significant at 15% level of confidence in case of whites. The coefficient of determination for the separate equations of blacks and whites was the same at 12%.

Barron, S.M. and Mellow, W. (1979) developed a theory of the unemployed job seeker's choice of how much effort to devote to search. They distinguished two choice variables as time and money. They dealt particulary on the unemployment relief and on chances of getting acceptable job offer without search. To accomplish their task, they used data from Bureau of Labour Statistics (BLS) survey., Their empirical findings suggested that search theory is important in explaining behaviour of the unemployed. Search time per period was found to be inversely related to insurance benefits and lower for individuals on lay-off group which has a higher probability of employment without search.

Kiefer,N.M. and Neumann, G.R. (1979) examined the empirical implications of one job search model and developed means of estimating such a model. From their empirical results search behaviour accounts for a significant fraction of unemployment over time.

2.3. Search Variables and their relations

2.3.1 Reservation Wage

Several authors have dealt with reservation wage. Stigler, G.J (1962) was more concerned on dispersion of wage rate. He illustrated wage rate dispersion by using a sample of 44 graduates from the Graduate School of Business of the University of Chicago who had received 144 offers (in 1960) from corporations. The survey showed existence of wage dispersion of 5-10 per cent in hiring rates for homogenous labour. He contended that wage dispersions would be influenced by changes in workers tastes, abilities, employers identities, transportation costs and the fluctuation of demand conditions in the labour market. Stigler also concluded that workers characteristics and particularly investments would influence wage dispersion a great deal. Stigler's sample was limited to only one category of job seekers. However, he provided a starting point for a more specialized study on job search. Kasper (1967) appears to have been the first to analyze reservation wage data. In his investigation of the pattern of movement in the reservation wage over the duration of a spell of unemployment, he conclude that it takes between 2 and 6 months for the decline to begin and that the decline eventually slowed down. A later study was carried out by Gronau, R. (1971), aimed at reformulating George Stigler (1961,1962) studies. Gronau examined factors affecting job seekers wage demand. He established that reservation wage is flexible. He attributed changes in asking wage to two major factors. The first one was associated with changes which

result as part of the searcher's optimum strategy, and the second to changes that occur after modification of the optimum strategy. To explain changes, Gronau expressed the nature of asking wage path as:

$$W_n = I_{n-1}/R_{n-1}$$

$$= R_n/R_{n-1}(W_n + P_nG_n(E_n - W_n) + (1-P_nG_n))bW_na/(1+r)^nR_n$$

Where

W_n = asking wage in period n,

I_n = Expected income from search,

R_n = Present value of the income stream generated by a one dollar wage offer accepted in period n,

P_n= Rate of job offer arrivals,

E_n = An average acceptable wage,

F_w= Wage offer distribution,

r= Rate of interest

B= Rate of Wage advances.

Gronau argued that both I_n and R_n decline as search proceeds. He assumed that the rate of job offers arrivals, (p), and the wage offer distribution, F(w), remain constant through the search, and the job seekers earnings are zero $W^n = 0$. With these assumptions, he showed that I_n declines at a faster rate than R_n, which result in a fall of the asking wage over time. Further,, he explained that the factor responsible for fall in the asking wage is the infinite time horizon.

Similar views were expressed by other authors like Kasper (1967), Salop (1973), Holt (1970) and Harnett, Cummings and Hughes (1973). All of them maintained that reservation wage fall as the time an individual is unemployed proceeds. These authors

differed only in factors each of time associated to this behaviour. Kasper (1967) drew his argument from classical economic theory. He argued that wage rate should be sufficient on the margin to compensate the worker for the leisure which is foregone when he takes a job. From the theory, Kasper contended that marginal utility for leisure will decline as time the job seeker is unemployed proceeds, consequently, lower wage rate will be sufficient to compensate him. Therefore, Kasper associated a fall in reservation wage to a decline in marginal utility for leisure. Secondly, Kasper claimed that the depiction of assets and savings will compel the unemployed job seeker to accept a lower offer than his predetermined critical figure.

Salop (1973) developed a model on systematic job search and unemployment. He assumed an individual job seeker is rational and able to distinguish among ex-ante and sample specific firms in an orderly manner. He established that individual's optimal acceptance level declines with his search period as he samples his best opportunities first and poor ones later.

Holt (1970), and Harnett, Cummings and Hughes (1971) attributed this behaviour on higher psychic and anxiety costs and greater risk propensity, respectively.

Sant (1977) also considers the case of an unknown offer distribution and the effect of "learning" on movement in the reservation wage. Finally he conclude that movement in the reservation wage depends systematically on the relationship between the initial reservation wage and the mean of the offer distribution.

Incidentally, some authors observe high reservation wage phenomenon. Again, they associated this to a number of factors. Moternsen (1970) concluded that "an increase in the acceptance wage increases the wage the participants can expect once employed". To arrive to that conclusion he presented a simultaneous equation model that describes the dynamic behaviour of money wages and unemployment in a

competitive labour market. Gronau (1971) and Gordon (1973) hold the same view that job seekers charge higher wages if they have a greater probability of arrival of acceptable job offers. Gronau argued further that higher reservation wages are also associated with greater non-market earnings retained throughout the search. Gordon (1973) had the same factor with Barron, S.M and Mellow, W. (1979) that a greater likelihood of recall to a previous job is associated with higher asking wages. Finally, Stephenson (1976) attributed this behaviour on extensiveness of search efforts and education which may make the searcher more attractive to employers.

2.3.2 Anticipated Tenure of Job Sought

A few authors have dealt with a number of issues concerning it and have provided a base for further study on this variable. Whipple (1973) used a more general job search model based on expected utility maximization to consider a number of policy possibilities. In his analysis he argued that a searcher may take a job of very short tenure or temporary in nature in order to maintain a minimum income and/or reduce the rate of skill decay until a new and better job can be found. Gronau (1971) pointed out that with finite life span the search duration will necessarily affect the time spent on the next job. The longer the search duration, the shorter is the job tenure.

Stephenson (1976) extensively examined this variable as part of his endogenous variable of one of the equations forming a simultaneous-equations model. In his study he tool a data of 300 unemployed male youth seeking for jobs. From his analysis, he concluded that the longer the search duration, the shorter is the planned tenure for the next job. This, he argued reflects a situation of despair as a worker becomes discouraged as job search duration lengthens. Further, he added that job seeker adjusts to not finding a job by lowering his expectations regarding the relative permanence of

the next job. Older youth planned to remain longer in their next job and blacks youth had greater tenure estimates.

2.3.3 Search Costs

Stephenson dealt with cost of search also. He analyzed his result on racial basis, which revealed that white youths had direct search expenditures which were $ 7 per week more than Black youths. He attributed this to differences in rates of car ownership, days spent searching and direct contracts with firms. Later, using the same data of Indianapolis youth, Stephenson (1981) dealt specifically with cost of labour market information. He argued that cost of acquiring information include both direct and indirect costs. He gave factors influencing direct search expenditures as method of acquiring labour market information, exact rate of travel cost, and skill training on human capital. Friednlander (1981) while commenting on Stephenson (1981) study suggested that factors like marital status, family heads, number of dependents and parents incomes also affected direct expenditures on search.

Further, Stephenson (1981) argued that the value of time for unemployed person may not be zero though small, since there exist positive alternatives both in and out of the job search. The proxy for estimate of the indirect cost of acquiring labour market information was given as individual's reservation wage. He also maintained that an unemployed job searcher will only accept a job offer if its at least greater than his reservation wage. Subsequently, if the job offer is less than the searchers reservation wage, it is rejected and he foregoes the opportunity to obtain earnings at the level in future periods.

Stigler (1962) explained the relation between the cost of search and wage dispersion. He observed larger search activity at a given level of wage dispersion offered by employers. He further argued that whenever an employer chances of recruiting an individual are high, search costs are lowered. Gronau (1971) pointed out that an individual who is more skilled will spend more on employment agencies than one who has invested less in human capital. The more skilled individual will try to minimize cost of search by substituting his own time for market inputs.

2.3.4 Unemployment Duration

Denie and Kiefer (1991) argue that the length of unemployment does not affect unemployed decision of acceptance for particular offer. They assumes that the non wage income of the unemployed is fixed and the unemployed is risk neutral. Thus they took income and utility as similar. The job seeker knows the discount rate, r, and it is constant. Further the unemployed assumes that the next job will be held forever. According to them the implication of all these assumptions is that the worker expects to live forever as a result all workers, for what ever different periods unemployed they are exactly in the same situation. As a result they conclude that worker's decision to accept or reject an offer does not depend on how long he has been unemployed. McCall concluded that ceteris paribus as marginal cost of generating another job offer increases, the length of search decreases. Mortensen found that the equilibrium unemployment ratio is independent of the inflation rate. He also showed that there is inverse relation between the rate of change in money wages and the unemployment ratio. He used his result to interpret phillips curve. Gronau (1971) argued that the search policy and market conditions determine the average length of search. He associated linger search duration with bolder search policies, high reservation wages, high current incomes, high

value of assets owned, and greater relative variations of unemployed wage offer distribution. An increase in the rate of interest, on the other hand moderates job seekers demands and curtails the duration of search. Finally, according to Gronau, high rate of unemployment tends to lower the asking wage. Stephenson (1976) concluded that duration of search affects the reservation wage and time planned on the next job and, in turn, is affected by the reservation wage and the direct costs as well as other variables. He maintained that a greater reservation wage increases search duration and greater direct expenditures lowers. He went further and showed that individuals with higher risk scores were more likely to undergo longer search periods than ones displaying lower risk scores.

2.3.5 Quit Decision

Donald parson (1973) considered a quit rate model based on the return to employed job search. He concluded that workers quit only when a preferable job has been located. Further evidence where provided by Mattila (1974) that most workers who quit have identified a number of new jobs before deciding to quit. Barron and McCaffery (1977) provided a more complete theory of quit behaviour within the context of an information and search approach. They identifies the cost of search as the utility value of time spent searching and added new choice variables in optimal search strategy, i.e., the intently of search and labour supply during search. They developed model which incorporated the three options facing an employed individual, these are; employed job search, unemployment job search and no job search. From their study they ground that the quit rate into unemployment is responsive to the vacancy rate and a fall in vacancy rate increases the Proportion of quits entering unemployment.

2.3.6 Search Intensity

In a fairly general model that Seater (1979) developed, he assumed that individuals have some control, through search intensity over the number of vacancies they contract per period. Using his modal he showed how the optimal search intensity would be chosen and that unless vacancy contact function exhibit diminishing returns to search intensity, simultaneous work and search does not occur. He concluded that to increase the number of firms contacted a searcher must increase the area over which he searches, which requires increase in travel time devoted to search.

2.4 Overview of the Literature and Divergence of the Study

As we have seen that a job seeker has a predetermined reservation wage he basis the decision whether to accept or reject a job offer. Factors like non-wage income, assets owned, duration of unemployment can affect reservation wage. Other search variations such as search cost, unemployment duration and other socio-economic factors can enhance job seekers decision.

Even if much attention has been given for reservation wage and unemployment duration in developed countries, Stephenson (1976) tried to analyze fully the behaviour of youth job search. His problem was that he used unrepresentative data since it was based only on the Indianapolis youth who had applied for jobs with a certain firm. Similarly, Stigler (1962) used a sample from university of Chicago graduates. Such data is likely to produce biased results depending on type of job sought by particular social class of people and spatial distribution of potential employees.

On the other hand, this study diverges from these two studies by applying for any unemployed job seeker and any type of job sought but only on urban area. The model used in this study adapt from Stephenson by making some modification.[1]

In general this study adds to the descriptive studies done on unemployeds in Ethiopia as well as providing an econometric analysis on job search behaviour. It gives a comprehensive analysis of job search by including both descriptive analysis of job seekers and showing causation effects of various search variables.

[1] See chapter three about the modification

CHAPTER THREE

RESEARCH METHODOLOGY

This study utilized cross-sectional primary data. The data was collected by the author and other enumerators or who were selected and trained particulary for this purpose. This section provides information on area of study, target population, sampling design, limitation of the data used and problems encountered in the field, specification of the job search model to be estimated as well as analytical techniques to be applied.

3.1 Area of the Study and Sampling Design

The sample survey carried out in the capital city of Ethiopia, Addis Ababa. The city has more than 3 million people. It is the most populated city in the country. High population growth and immigration from deprived areas in search of job and better urban facilities are the cause for the problem.

Addis Ababa is considered as the most appropriate for this study because it is one of the few places which have registration office for the unemployed job searchers. Unemployment Registration Office of the Ministry of Labour and Social Affairs register only those unemployed job seekers who want the identification cared of unemployed. On the other hand, since the office is too weak in coordinating labour market information the city has many unregistered unemployed job seekers. For instance in 1994 only 8.3% of unemployed were registered by the office. This is because of diminishing office capacity and job searchers unwillingness to use the registry.

The degree of homogeneity of the job seekers particulary in terms of age and education level was high in the city. On the other hand covering the whole of Addis Ababa was difficult because of financial constraint. As a result of these. One of the six zones was randomly selected as a source of the sampling frame which was zone one.

The sampling frame was prepared from the registrar office of the Addis Ababa Ministry of Labour and Social Affairs based on those registered for the last ten months. The study involved probabilistic sampling method.

The above homogeneity characteristic of the sampling frame resulted in using systemic random sampling. On the basis of this method after collecting the names and address of almost all (i.e 2500) registered units in the particular zone, we selected every 15^{th} element of the sampling frame. By doing so the sample became 7% of the total frame. This amount considered representative of the population since statistically it is considered as large sample.

The questionnaire which was used in this study was written in Amharic language. It was pre-tested at the time of training and appropriate adjustments prompted by the pre-test results were made. The collection of the data took 25 days.

An individual was considered unemployed and seeking for employment if he/she satisfied the following three conditions:

1. The individual must be registered as unemployed by the Ministry of Labour and Social Affairs (MOLSA)
2. The individual should not have been involved in salary or wage occupation for a period of not less than one month, and
3. The individual should have used at least one of search methods for the previous one month; e,g answering news paper advertisement, writing to employer/friend or relative, and etc.

3.2 The Target Population

To adhere to the objective of this study only unemployed job seekers were interviewed. Only those unemployed job seekers of age groups between 18 to 40 years

old were covered. This was not deliberate. It was because of the randomness of the sampling method (i.e systemic random sampling). Therefore, the study excluded the rest of economically active labour force.

3.3 Limitation of Data Used and Problems Encountered in the Filed.

First, the data used in this study was limited to an urban labour force survey. It is therefore expected to be short of some inherent features of job seekers in majority of rural areas.

Second, the study excluded employed job seekers and those who seek employment while still at school or other educational institution. It considered only unemployed job seekers.

Third,as mentioned the study used only those few registered unemployeds (i.e.for instance in 1994 only 8.3% of unemployeds were registered),thus the sample may not be representative of the whole unemployeds.

Fourth,because of data problem the distinction between spells of unemployment and spells of non participation is not important.As a result the two are lumped together.

Finally, since most job seekers registered after or when they admit for job offered by employee and asked an unemployed identification card, few of them were employed. Therefore the procedure of data collecting method (i.e systemic random sampling) did not undergo as expected.

3.4 Job Search Model

Form both theoretical and empirical literature, the search variations which are most explicit are:

a) Anticipated duration of job tenure,

b) reservation wage

c) job search costs and

d) job search duration.

The model captures all these variations in four different linear equations. It has been adapted from a model developed by Stephenson (1976).Here it appears that the system is not fully recursive.Thus the OLS estimates may be inconsistent and/or inefficient.This can be taken as limitation of the model.

Modifications have been made in order to achieve the purpose of this study. For instance in out model we have used reservation wage in place of relative reservation wage used in the former study. There are some variables that Stephenson used that we did not use, e.g., physical risk, financial risk and asset. We excluded these variables because we did not have an appropriate technique to capture the first two of them since the registrar office do not register with any separation.Regarding asset only two respondents were having very few asset thus I exclude these respondents. On the other hand we have included a new variable, training, that had not been used before. We include this variable because formal education may not guarantee a job opportunity.Here training is taken for those trained for the job they seek. We therefore feel that training and eduction should be treated separately.

Subsidy of basic needs (cloth, shelter and food) is another variable included in this study. This is because for a country like Ethiopia with subsistence economy such subsidy can affect the behaviour of job seekers.

The Symbols Used are:

T =Anticipated duration of job tenure,

W =Reservation wage,

Ued =Unemployment duration,

Sc = Job search cost;

Sx = Sex. Is a dummy variable where values of 1 and 0 have been used.

The value of

1. is used if male, and

0. is used if female.

Ag = Age,

Se = Search extensiveness. It is measured by the number of contracts made by the job seekers to employers in a given period of time.

Ed = Education,is a variable which has value:

1. for primary 1-6

2. for junior secondary 7-8,

3. for senor secondary 9-12

4. for technical institute

5. for college

6. for university

Nwi = Non-Wage income,

Er = Expected recall. Is a dummy variable which takes the value:

1 if expected recall,and

0 if otherwise.

Nod = Number of dependents,

Tr = Training. Is a dummy variable which takes the value:

1 if trained, and

0 if other wise.

qlj = Quit last job. Is a dummy variable which takes the value:

1 if quit last job, and

0 if otherwise

BN =Subsidy of basic needs is a dummy variable

1 if the respondent was subsidized, and

0 if otherwise.

Ms = Marital Status. Is a dummy variable which takes value:

1 if married, and

0 if otherwise.

Ui = An error term. This captures all the other variables which influence job search behaviour and are not included in the model.

Here below is the structural form of the model. For some of the equation the logarithm value of the variables can be used.

Equation -1

$T = F (ued, Sx, qlj, Nwi, U_1)$, (i)

Equation -2

$W = F(Ued, Tr, Ed, Er, Ms, U_2)$, (ii)

Equation -3

$Sc = F (SX, Nwi, Er, qLj, MS, U_3)$ (iii)

Equations -4

$Ued = F (W, Sx, Ag, Nwi, Ed, Se, Ag^2, BN, TR, U_4)$ (iv)

3.5 A Prior Theoretical Expectations

Equation-1

The anticipated tenure of the job sought is assumed to be influenced by sex, search duration, non-wage income and how the previous job was lost (Setphenson, 1976; Burket, 1973; Folk, 1968). It is measured in years.

It is assumed that males intend to remain in the jobs sought for a shorter period than females. Sex is a dummy variable which takes value:

1 if male, and

0 if female.

In countries where unemployment rate is high, people take long before they get acceptable job offers. When one gets the job he has been looking for he tries to keep it to avoid job search frustrations. We therefore expect that individuals who have been unemployed for a long time will intend to take permanent jobs. Hence, job search duration is positively related to the tenure of job sought.

Non-wage income is the amount of money received as transfer income. Since in Ethiopia there are no charitable organizations which carter for the unemployed, they depend on income from relatives and friends. It is the duty of the parents to support their children until when they will be economically able. A child is supposed to reciprocate the help by assisting the parents in their old age. Consequently, the unemployed individual who gets a lot of financial assistance is required to assist all those who assisted him when he was unemployed. To afford this the individual will look for a permanent job. Normally, permanent jobs have long tenures. Hence non-wage income is positively related to the intended tenure of the job sought.

Most individuals will quit a job only if they have spotted another one (Donald Parsons, 1973). We assume that if individual quit the last job, the estimated tenure of the job sought is short.

This is a dummy variable. It takes value:

1. if the respondent quit the previous job, and

0 if otherwise.

Equation -2

Reservation wage is a per-conceived monetary offer which if agreed on will induce a job seeker to accept to take a particular job (McCall, 1970). It is assumed to be influenced by unemployment duration, training, expectations of being reinstated to an old job and value of assets (Kasper, 1967; Stephenson, 1976.).

As the duration of unemployment lengthens the job search despairs and his expectation from the kind of a job sought declines (Gronau, 1971,pp 290). It is measured in years.

A person qualified or trained for a particular job will ask for high wages. Its a dummy variable which takes value:

1 if trained, and

0 if otherwise.

An individual who has been laid off temporarily and has expectations of being reinstated will ask for an offer which is not less than what he would get if reinstated. This is a dummy variable which takes value:

1 if expected recall, and

0 if otherwise.

Educated unemployed job seekers always has higher reservation wage.

Married couples are assumed to ask for lower job offers, particularly if both are unemployed. This is a dummy variable taking the value:

1 if married, and

0 if otherwise.

Equation-3

Search costs are the expenditures incurred in job search. Although these expenditures may either be indirect or direct, we will consider only direct costs. Direct costs include expenditure on travelling, newspapers and letters; among others. Expenditure on all these items has been summed up to get search cost in Ethiopia Birr Search cost is assumed to be influenced by sex, non-wage income, value of assets, expectations of being reinstated and martial status (Stigler, 1962; Gronau, 1971; Stephenson, 1976 & 1981).

Generally, people tend to spend according to amount of money that they have. Those with a lot of money spend more than those with less. Non-wage income is assumed to influence search cost positively.

We assumed that males are more aggressive than females. This induces them to be more involved in job search than females. Because of this we expect a positive relationship between sex and search costs. This is a dummy variable taking the values of

1 if male and

0 if female

An individual quitting a job is expected to have identified another job somewhere else (Donald Parson, 1973). Such an individual will be seriously pursuing that

opportunity. In this regard if the searcher had quit a job, his search costs will be positively influenced.

We assumed that the searcher who has high hopes of being reinstated will not be so much involved in searching for another job. His search costs will be minimal.

Married job searchers depend on their spouses for basic needs. Such individuals may be delegated to undertake other family matters. For example, the wife may be involved in household chores and less of her time is devoted to job search. we therefore expect cost of search to be low.

Equation -4

Unemployment durations is the spell of time that an individual has been involved in job search. This duration is assumed to be influenced by reservation wage, sex, non-wage income, age, level of education attained and search extensiveness (Stephenosn, 1976). Further more, I added training, subsidy of basic needs and age square.

The higher the asking wage, the less are the available acceptable job offers. Lower are the feasible job offers, long will be the search period. Hence reservation wage is positively related to the unemployment duration.

For most of cultural and traditional reasons it is known that males are expected to be more involved in job search and therefore are able to get acceptable offers soon. We therefore expect that if the respondent is a male, he will be inversely related to search duration.

In a country like Ethiopia were the major source of unemployment is shortage of demand and excess of labour supply, persons advanced in age became unemployed for longer periods. But as they become educated and experienced their unemployment duration can be reduced citrus paribus. Thus we expect positive relationship between

age and unemployment duration but which can be diminished through time. That is inversely related with the square of age

Individuals with high non-wage income are too particular in job choice since they afford their basic needs. In this circumstance non-wage income is positively related to unemployment duration.

Its expected that job searchers who have attained high levels of education have several job opportunities open to them. Such individuals will only suffer from frictional unemployment. Education and unemployment are expected to be inversely related.

Search extensiveness is measured by the number of contact made in a given period of time (Seater, 1976). An individual who makes many contacts in a given period of time has a high probability of getting an acceptable job offer soon. Such an individual will not search for a long period of time before he gets an acceptable offer. Hence search extensiveness is inversely related to the period of unemployment.

Those trained job trained job seekers for the job they seek have better chance than the untrained ones. Therefore training and unemployment relate inversely.

If job seekers do not need to spend and to worry about there consumption of basic need, they can have much more time for searching job and much more money for search cost. Thus they can minimize there unemployment duration. Therefore unemployment duration and subsidy of basic needs relate negatively.

3.6 Analytical Techniques

The study will try to use two main analytical procedures to achieve its objectives. These are simple algebraic measures (i.e ratios, proportions, fractions and percentages) and tabulations as well as multiple regression analysis. The job search model developed above will be used in regression analysis.

The regression analysis employed ordinary least squares. Although our model seems as if it has simultaneous equations features, it does not fully satisfy all the theoretical requirements of a simultaneous equations model. Thus all the equations are identified by the rank condition which is a necessary and sufficient condition for identification[2]

To test for significance of the search variables individually and as a group, t-statistics and the F-test were used. In some of the equations hetroskedasticity was tasted and identified by cook-weisberg test by using the fitted value of the indigenous variable. The problem corrected by using an econometric programme of LIMDEP. Correlation coefficient of the variables are used to check multicollinearity. In general when any of serious econometric problems was encountered, it was arrested by use of the appropriate technique as indicated in the following chapter.

[2]See G.S Maddala, Introduction to Econometrics second edition Presntice U.S.A PP. 363-366

CHAPTER 4

EMPIRICAL RESULT FINDINGS

This chapter contains analysis of the empirical result findings from the data collected. It has two parts. The first part deals with socio-economic behaviour of the job seekers by using descriptive analysis. The second part explains about the determinants of search variations based on the econometrics result.

Part A

4.1.0 Socio-Economic Behaviour of job Seekers

4.1.1 Sex and Age

The sex ratio (i.e females to males) of the job seekers surveyed was 0.76. This implies that the number of females involved in job search were less than males. The figure was 0.80 for those who have registered by Region 14 Ministry of Labour and Social Affairs MOLSA) for the last Ethiopian year.[3]

Table: 4.1.1 Age and Sex

Age Groups	Males	Females	Total
18-20	5.4	10.0	7.4
21-25	40.2	62.9	50.0
26-30	43.5	20.0	33.3
31-35	7.6	7.1	7.4
36-40	3.3	0.0	1.9
Total	100.00	100.00	100.00

In the above table 4.1.1. males dominate age groups between 21-30 years old and females dominate 18-25 years old. on aggregate 88 per cent of job seekers lie between age group 21 to 30 years old. Totally, 50% lie in the age group 21-25 years

[3] See Region 14 MOLASA Statistical Review (1990)

which dominate the rest in the above category. The first three age groups (i.e 18 to 30) have 90 per cent of the job seekers and the last two groups (i.e 31-40) have the least proportion of (9.3%) job seekers. It implies that most job seekers were young. This finding agrees with ILO (1993) reports on Ethiopia which says

> "The rate of unemployment is high for the group (i.e 15-29) as a whole, and for to urban youth population, may well reach the level of over 60 percent of the total" (p. 294).

4.1.2 Education and Training

As shown in the following table 4.1.2, all the respondents had at least attended primary school. In 1978/79 there were 56.2% registered illiterate job seekers where as in 1995/96 there were only 2% in the country [4]

Table 4.1.2 below shows classification of level of education attained by sex. In the table 71% attended high school and the second largest proportion (i.e 11%) was Technical school.

[4] See Ministry of Labour and social affairs internal review 1996

Table 4.1.2: Education and Sex

Level of Education	Males	Females	Total
Illiterate	0.0	0.0	0.0
Primary (1-6)	4.3	2.9	3.7
Junior Secondary (7.8)	6.6	12.8	9.3
Senior Secondary (9-12)	68.6	75.7	71.6
Technical School	15.2	5.7	11.1
Collage	4.3	2.9	3.7
University	1.0	0	0.6
Total	100.0	100.0	100.0

Table 4.1.3 below elaborates whether the unemployeds are trained or not for the particular job they sought. It shows that majority (i.e 61.7%) of the respondents were untrained. From the view point of sex, 71.4 per cent of females were untrained where as 54.3 percent of males were untrained. The result implies that males stay linger in education than females. Further it implicates the need of training institutions.

Table 4.1.3: Training and Sex

Status	Males	Females	Total
Trained	45.7	28.6	38.3
Untrained	54.3	71.4	61.7
	100.0	100.0	100.0

4.1.3 Training Institutions and Sponsors

Table 4.1.4 below shows that the training institutions attended were varied. The largest proportion of (i.e 14.2%) were trained informally. These informal training places like garage for driving and machinist, tailor shops, village shoe maker beauty salons for hair dressing and others. An interesting finding is that the majority of female (i.e 18.6%) trained in technical school and non of them trained in informal training.

This implies that most of trained job seekers trained through experience rather than in formal institutions. The second large proportion (i.e 13%) is for those who trained in vocational school. This may be because of the presence of vocational education such as secretarial, accounting mechanics, electricity, wood work and others in many high schools.

Table 4.1.4 Training Institutions Attended and Sex

Institution	Males	Females	Total
None	54.3	71.4	61.7
Vocational School	8.7	18.6	13.0
Technical School	5.45	7.2	6.2
Collage	5.45	1.4	3.7
University	1.1	1.4	1.2
Informal Training	25	0.0	14.2
Total	100.0	100.0	100.0

Table 4.1.5 below shows that parents and government had sponsored 90.1 percent of the respondents. This imply that the majority of the job seekers were attended in public school. 5.5 percent were sponsored by relative and government. The rest were self sponsored.

Table 4.1.5 Sponsors in Education and Training

Sponsors	Percentage
Parents and government	90.1
Relatives and government	5.5
Self	4.4
Total	100.00

4.1.4 Migration and job search

Table 4.1.6 below shows 92% of the respondents are non-migrants and only 8% are immigrants. The percentage of male immigrants (i.e 12%) is greater than their counter part (i.e 2.9%).

Table 4.1.6 settlement Status of Job seekers

Status	Males	Females	Total
Migrants	12.0	2.9	8.0
Non-migrants	88.0	97.1	92.0
Total	100.0	100.0	100.0

Even if they have different reason for migration, the majority of the immigrants (i.e 53.8%) moved for education particularly for senior high school. The other, 36.4% of males but non of females migrate for search of employment. Only 15.4 per cent of immigrants moved by considering Addis Ababa to be a better place to live.

Table 4.1.7 Initial Reasons for migration

Reasons	Males	Females	Total
Education	54.5	50.0	53.8
Seek Employment	36.4	0.0	30.8
Better Place to live	9.1	50.0	15.4
Total	100.0	100.0	100.0

4.1.5 Types of Job Sought

Mechanics, Electrician and construction types of job sought by 20.4 percent of the respondents. White collar jobs sought by 54.3 percent of the job seeker. These include police or gurnards 6.8%,driving 11.7%, secretarial/ typing and computer operator 19.1%, clerk/salesman 14.2% and teaching 2.5%. The majority of females (i.e 41.4%) sought secretarial typing and computer operator where as 32.5 percent of males sought for mechanics electrician/ construction.

Table 4.1.8 Types of jobs sought

Types of jobs	Males	Female	Total
Police /guards	10.9	1.4	6.8
Driving	20.7	0	11.7
Secretarial/ Typing and computer operator	2.2	41.4	19.1
Mechanic Electrician\ construction/	32.5	4.3	20.4
General cleaner	0.0	10.0	4.3
Clerk/salesman	7.6	22.9	14.2
Finance and Accountant	2.2	1.4	1.9
Teaching	3.3	1.4	2.5
Administrative	8.6	4.3	6.8
Artist /journalist	3.3	4.3	3.7
Medicine /Nursing and medical care	3.3	7.2	4.9
Barber/Photographer/ Tailor	5.4	1.4	3.7
Total	100.0	100.0	100.0

4.1.6 Search Methods Used and Estimated job Tenure

The following table presents information on methods used to search for the required jobs. The most frequent used job search methods was answering news paper advertisements, which was used by 52.5% of the job seekers. The next largest proportion (i.e 22.2%) is asking friends and relatives and the third one is writing to employers friend or relatives which is 11.7%

Table 4.1.9: Methods of job Search

Methods	Males	Females	Total
Asking friends and relatives	19.6	25.7	22.2
Direct Visit to employer	6.5	2.9	4.9
Answering news paper advertisement	50.0	55.7	52.5
Writing to employer/friend or relative	15.2	7.1	11.7
Applying to labour office	5.4	5.7	5.6
Others	3.3	2.9	3.1
Total	100.0	100.0	100.0

Table 4.1.10 below shows that 27.2% of the respondent envisaged a job tenure of between 10 to 19 years if they get an acceptable offer. On the other hand 25.3 and 22.8 percent of the respondent planned to work for periods between 0 to 9 and 30 to 39 years respectively. A job tenure of 20 to 29 planned by only 7.4 per cent of the respondent.

Table 4.1.10: Estimated job Tenure

Years	Males	Females	Total
0-9	20.7	31.4	25.3
10-19	29.3	24.3	27.2
20-29	10.9	2.9	7.4
30-39	18.5	28.6	22.8
Undefined	20.6	12.8	17.3
Total	100.0	100.0	100.0

4.1.7 Intention of Job Seekers

Information regarding future intentions of unemployed job seekers if they do not get acceptable job offers soon is contained in table 4.1.11 below. The majority of the respondents (i.e 59.2%) planned to look for a different job. The next largest proportion

(i.e 21.6%) had no other alternative option except to keep looking for the same job; 9.3% planned to ask for lower offer; 5.6% of the respondent included on others like migrating to other country or starting their own business.

Most of female (61.4%) job seekers wanted to look for a different job and 22.9% of them planned to keep on looking for the same job. Some of them (i.e 10%) claimed that they could lower their reservation wage. None of females planned to stop looking for employment. A few (i.e 4.3%) of them planned to move to other country to seek for employment.

Table 4.1.11 Future plans of job seekers

Intentions	Males	Females	Total
Keep looking	20.7	22.9	21.6
Ask for lower offer	8.7	10.0	9.3
Look for a different job	57.6	61.4	59.2
move to other town	5.4	1.4	3.7
Stop looking	1.1	0.0	0.6
Others	6.5	4.3	5.6
Total	100.0	100.0	100.0

On the above table 4.1.11, slightly above a half (i.e 57.6%) of male unemployed job seekers planned to look for a different job; 20.7 per cent of them wanted to keep on looking the same job. On the other hand 8.7 and 6.5 percent of them planned to ask for lower offer and to start their own business. Move to other town and stop looking are other immediate plans of male respondents.

4.1.8 Duration of job search

Slightly below a half (i.e 46.9%) of respondents had been unemployed for 1 to 5 years; 32 percent of them were unemployed for a period of 6 to 10 years. For the period of unemployment a month to a year there are 16% respondents.

The majority of females (i.e 62.9) had been unemployed for a period of 1 to 5 years where as 44.6 percent of males had been seeking for employment for the period 5 to 10 years. The study shows that males were unemployed for larger period than females.

Table 4.1.12 Duration of Job Search

Duration	Males	Females	Total
Between 1 to 6 months	4.3	10.0	6.8
Six months to one year	10.9	7.1	9.3
Between 1-5 years	34.8	62.9	46.9
Between 5-10 years	44.6	15.7	32.1
Above 10 year	5.4	4.3	4.9
Total	100.0	100.0	100.0

4.1.9 Past Job Experience

Table 4.1.13 below shows that the majority of the respondents (i.e 71.6%) had ever been employed before. Slightly above a half (i.e 58.7%) of males had not been employed but the incidence was higher for females (i.e 88.6%).

Table 4.1.13 prior to job search

Status	Males	Females	Total
Employed	41.3	11.4	28.4
Not-employed	58.7	88.6	71.6
Total	100.0	100.0	100.0

Out of those who had been employed before only 1/5 expected to be called back to their old jobs. Above 87.5 percent of females and 78.9 per cent of males did not expect recall from their former employer.

Table 4.1.14 Recall Expectations

	Males	Females	Total
Expected recall	21.1	12.5	9.5
Did not expect recall	78.9	87.5	80.4
Total	100.0	100.0	100.0

The majority of the respondents (i.e 67.4%) had lost their old jobs through sacking. The figure almost concur for both sexes.

Table 4.1.15 How the last job was Lost

	Males	Females	Total
Quit	31.6	37.5	32.6
Sacked	68.4	62.5	67.4
Total	100.0	100.0	100.0

The major reasons of the respondent to quit their old job was lower payment. In fact, distance from their home to job place being far was another reason.

Answering news papers advertisement and asking friends or relatives were the most dominant method of job search for the old job. They constitute 36.7 and 34.7 percent of the respondents who had been employed before respectively. Other search methods which were used to get old jobs include writing to employer /friends/ relatives 8.3%, direct visit to employer and applying to labour office 4.1 percent each

Table 4.1.16 Method used to get the old job

Method	Males	Females	Total
Asking friends or relatives	36.8	27.3	34.7
Direct visit to employer	5.3	0	4.1
Answering news paper advertisement	36.8	36.3	36.7
Wiring to employer friends relatives	10.5	0	8.3
Applying to labour office	2.7	9.1	4.1
Other	7.9	27.3	12.1
Total	100.0	100.0	100.0

4.1.10 Reservation Wage

Table 4.1.17 below shows that 61.7 percent of the respondents had a reservation wage below 400 and above 75 Birr. On the same range the majority of women (i.e 87.2%) included. Males constitute only 42.2 percent of them in this range. This implies that most female job seekers requested for lower wages than males.

This may be because of the majority of females (i.e 71.4%) were untrained where as the figure was 54.3 percent for males (see table 4.1.3)

Table 4.1.17 Reservation Wage

Birr	Males	Females	Total
75-200	7.5	34.3	19.1
201-300	7.5	22.9	14.2
301-400	27.2	30.0	28.4
401-500	27.2	5.7	17.9
501-600	15.2	5.7	11.1
601-700	8.7	0.0	4.9
701-800	2.3	0.0	1.2
801-900	3.3	1.4	2.5
More than 900	1.1	0.0	0.7
Total	100.0	100.0	100.0

4.1.11 Number of Dependents

The following two tables show the classification of number of dependents on martial status and sex. The majority (i.e 87.6%) of the respondents had no dependent. This include 91.4 percent of females and 97.9 percent of unmarried respondents. Further more 84.9 percent of males respondents had no dependent.

Table 4.1.18 Number of Dependents by Sex

Number	males	Females	Total
0	84.8	91.4	87.6
1	2.2	2.9	2.5
2	3.3	2.9	3.1
3	4.3	1.4	3.1
4	1.1	0.0	0.6
5	4.3	0.0	2.5
6	0.0	1.4	0.6
Total	100.0	100.0	100.0

Table 4.1.19 Number of Dependent by Marital Status

Number	Married	Unmarried	Total
0	0.0	97.9	87.6
1	23.5	0.0	2.5
2	29.5	0.0	3.1
3	17.6	1.4	3.1
4	5.9	0.0	0.6
5	17.6	0.7	2.5
6	5.6	0.0	0.6
Total	100.0	100.0	100.0

4.1.12 Government Assistance Requested

The largest proportion (i.e 75.9%) of the respondent would like the government to assist by providing them with employment offers. Only 12.4 percent of them requested both training and employment but 61.7 percent of the respondent were untrained for the job they look for (see table 4.1.3). Training and loans were the other responses for the kind of assistance the unemployed required which constitute 4.3 and 3.7 respectively.

Table 4.1.20 Assistance Requested

Assistance	Males	Females	Total
Training	5.4	2.9	4.3
Training and Employment	12.0	12.8	12.4
Loans	5.4	1.4	3.7
Employment	73.9	78.6	75.9
Other	3.3	4.3	3.7
Total	100.0	100.0	100.0

4.1.13 Relation Status of Respondents

The majority of (i.e 90%) of the respondents were either sons or daughters i.e they lived with their parents. Only 6.2 percent were either wife or husbands. The rest lived whit their relatives.

Table 4.1.21 Relation Status of Respondents

Status	Males	Females	Total
Wife/husband	8.7	2.9	6.2
Sons/Daughter	88.0	94.2	90.7
Other relatives	3.3	2.9	3.1
Total	100.0	100.0	100.0

In general the majority of the respondents are dependent on their family residentially.

PART B

4.2.0 Determinants of Job search variations

In this part, we cover the econometrics analysis result. In doing so the paper try to discus the interrelationships of search variables and significance of various variables either as individuals or as a group. It gives result of the estimation of equations 1-4 of the model developed in chapter three and relevant test statistics

4.2.1 Regression Results

The following four estimations are results obtained after running LIMDEP.

The results are given in equations form and t-statics are in parentheses. All the four questions are results after corrected for heteroscedasticity. The superscripts 1,2,3 and 4 stands for statistical significant at 99%, 95%, 90% and insignificance respectively. Coefficient of determination (R^2), Durbin Waston Statics (D.W), F-Statistic (F) and degree of freedom as well as a correlation coefficient table of the variables included in each equation are given at the bottom of the equation.

4.2.2. Planned job tenure

Equation-1

$$\underset{}{\mathbf{LTT=}}\ \underset{(15.45)^1}{\mathbf{2.747}} + \underset{(0.691)^4}{\mathbf{0.0885SX}} - \underset{(-0.758)^4}{\mathbf{0.0002\ LNWI}} - \underset{(-2.141)^2}{\mathbf{0.00028\ QL]}} + \underset{(0.766)^4}{\mathbf{0.055LUED}}$$

$R^2 = 0.045$ $\quad$ $D.W^4 = 1.569$ $\quad$ $DF = 157$

$F^4 = 1.87$

Table 4.2.1 Correlation Coefficients of the Explanatory variables used in equation -1

	LUED	QL]	LNWI	SX
LUED	1.000			
QL]	-0.0275	1.000		
LNWI	0.0592	-0.0687	1.000	
SX	0.1522	-0.3282	-0.0689	1.000

In the above model only quit coefficient is statically significant at 95% level of significance, showing that there is difference of planned job tenure between those who quit their previous jobs and those who had not. Therefore those who had quit their previous jobs had shorter planned job tenure than those who had not.

Other variables are not statistically significance at the conventional level of confidence.

4.2.3 Reservation wage

Equation -2

$$W = \underset{}{113.48} + \underset{(2.098)^2}{4.95\ UED} + \underset{(1.074)^4}{22.50\ TR} + \underset{(0.899)^4}{78.43\ ED} + \underset{(5.169)^1}{13.3\ MS} \quad \underset{(0.371)^4}{}$$

$R^2 = 0.13$ $D.W = 1.83^2$ $DF = 157$

$F^1 = 6.06$

Table 4.2.2. Correlation Coefficients of the explanatory variables in equation-2

	UED	ER	TR	MS	ED
UED	1.0000				
ER	-0.0689	1.000			
TR	-0.1259	-0.5462	1.000		
MS	0.1277	-0.2310	0.0205	1.00	
ED	-0.0577	-0.1102	0.1826	0.0437	1.000

According to the result of equation -2 above education level (ED) is the only significant variable to affect reservation wage directly at 99% confidence level. The magnitude of the coefficient is also very high (i.e 78.4). This indicates the variable has high effect on the reservation wage. This supports earlier studies that concluded the country suffers from uneducated unemployeds. In the equation, expected recall variable is dropped since it is relatively highly correlated with training. This measure resulted in the model test of the F-statistic to be significant at 99% confidence interval. The equation is free of auto-correlation and heteroscedasticity.

This result is not strange when compared to the previous studies. The study done based on Indianapolis youth in United States had only two variables which were significant at 95% level of confidence and a coefficient of determination of 4%. Comparing our R^2 of 13% with that study's (i.e 4%) this study has improved on the others. Moreover, the indianapolis youth study did not test on statistically relevance of all the variables taken together, although it points out that multicollinearity problems was tested and adjustment made by eliminating the culprits.

4.2.4 Search Costs

Equation 3

LSC = 2.49 + 0.16677 ER + 0.0329SX +0.283E -04LNWI-0.167QLJ-0.4165MS
(21.126)[1] (1.367)[4] (0.370)[4] (0.208)[4] (-1.369)[4] (-2.245)[2]

R^2 = 0.06145 D.W= 1.73[2] DF= 156

F= 2.04[3]

Table 4.2.3: Correlation Coefficients of the Variables used in search cost equation

	ER	MS	QL]	LNWI	SX
ER	1.0000				
MS	-0.2310	1.0000			
QL]	1.0000	-0.2311	1.000		
LNW]	-0.0687	0.0008	-0.0687	1.0000	
SX	-0.3282	0.0141	-0.3282	-0.0689	1.000

In the above equation, martial status is the only significant variable at 95% level of confidence which shows that those married job seekers had lower search cost than their counterpart. Theory also agree with this result by reasoning that those married individual may be delegated to undertake other family matters. For instance, the wife may be involved in household chores and less of her time is devoted to job search. The model test shows that an F-Statistic of 2.04 which is significant at 90% level of significance.

Two variables, quit last job and expected recall are perfectly correlated as shown in the above table (i.e table 4.2.3) which indicates a problems of multicollinearity. However, the two variables are expected to overlap always because they are both dummies and represent the same person who had been employed before. For this reason the multicollinearity problem was ignored[5].

[5] See Gujaati, D.N, PP 307-309

4.2.5: Search Duration

Equation 4

$$LUED = \underset{(2.2355)^2}{-10.887} + \underset{(1.720)^3}{0.2525X} + \underset{(1.743)^3}{0.259E\text{-}03LNWI} - \underset{(-1.685)^4}{0.133Lw} + \underset{(2.43)^2}{0.96AG} - \underset{(-2.750)^1}{0.604E\text{-}03LSE} - \underset{(-0.386)^4}{0.039ED} - \underset{(-2.150)^2}{0.172AG^2} - \underset{(-10.788)^1}{0.002BN} - \underset{(-3.220)^1}{0.406TR}$$

$R^2 = 0.278$ $\quad$ $D.W = 2.006^1$ $\quad$ $DF=152$

$F= 6.52^1$

Table 4.2.4 Correlation coefficient of the Variables

	LW	AG	Ag^2	LSE	ED	BN	TR	LNWI	Sx
lW	1.0000								
AG	0.2443	1.000							
Ag^2	0.2408	0.9974	1.0000						
LSE	-0.0716	-0.0416	-0.0342	1.0000					
ED	0.2602	0.0467	0.0459	0.1647	1.000				
BN	0.0526	-0.0514	-0.0535	-0.0267	-0.0032	1.000			
TR	0.1425	0.1199	0.1145	-0.0325	0.1826	0.0992	1.000		
LNWt	-0.2188	-0.0024	-0.0055	0.3466	0.0143	-0.0301	-0.0500	1.000	
SX	0.3325	0.2876	0.2847	-0.0221	0.1151	0.0681	0.1741	-0.0689	1.000

Job seekers advanced in age had been unemployed for longer duration than the younger ones. The age variable coefficient shows this with 95% confidence level. On the other hand after a certain level of age the unemployment duration will diminish which is shown by the square of age coefficient in which it is significant at 95% of confidence level. This may be attributed for as the age increases the unemployed become more educated trained and will have experience. The correlation coefficient between age and education as well as training being positive may strength the result. The multicollinearity problems because of high correlation of age and its square is ignored since it is expected.[6]

[6]See Gjarati, D.N, Ibid

Those job seekers who have given basic needs (cloth, shelter and food) by their parents or relatives has lower search duration than their counterpart. This may be because of having enough time for search and having higher search cost since for the time being they do not need to have daily labour job and spending for their basic needs respectively. The variable coefficient is significant at 99% confidence interval and the sign is as expected.

Training was another variable which had indirect relationship with unemployment duration. Those who trained for the job they seek had lower unemployment duration. The sing for the coefficient is as expected and significant at 99% confidence level. Search extensiveness can reduce the search duration of the job seekers. In the equation, even if the magnitude of the coefficient is very low (i,e -0.000604), it is significant at 99% confidence interval and the sign concur with theory. Others like sex, non wage income and reservation wage are significant at 90% confidence level. The sign for non wage income doesn't concur with theory but it has very low magnitude (i.e 0.00259). Education is the only variable which is insignificant. All variables are together statistically significant at 99% level of confidence indicating that search duration is significantly explained by the variables used in the model. These variables explained 27% of search duration variations.

CHAPTER 5

CONCLUSION AND POLICY RECOMMENDATION

5.1 CONCLUSIONS

As clearly mentioned in the first chapter, the main objective of this study was to analyze the behaviour of unemployed job seekers. A sample of unemployed job seekers was chosen from an urban area (i.e Addis Ababa). Already some sub-objective have been accomplished. These include socio-economic analysis of job seekers, identification and quantification of major job search variables, estimation of a job search model as well as determining the relative significant of various search variations. The final sub-objective of the study on policy implications arising from the research findings on how to reduce the number of unemployed job seekers are provided in this section. First, we have considered conclusions from the study.

The following conclusions drawn from part A of the analysis:

1. More than half (i.e 57.4%) of the job seekers were young, aged between 18 to 25 years.
2. The majority of job searchers (i.e 71.6%) attended high school. Out of females 75.7% were high school graduates. Males have a figure of 68.6% for this level.
3. Most of the unemployed (i.e 61.%) were untrained for the job they seek. Only few (28.6%) of females were trained. But nearly a half (i.e 45.7%) of males were trained.
4. Only 8 per cent of the unemployed job seekers were immigrants. The majority of them (i.e 53.8%) migrate for education particulary for high school education.
5. Over a half of the respondents (i.e 54.3%) searched for white collar jobs. The majority of job seeker (i.e61.7%) had reservation wage below 400 and above 75 Birr.

6. About 46.9% of job seekers had searched for the job they are seeking for a period of between one and five years. The majority of them (i.e 59.2%) planned to look for a different job.

7. Answering news paper advertisement was the most frequently used method to search for jobs. The methods had also been used by most of the previously employed respondents to get the old jobs.

8. Most of the respondents (71.6%) had not been employed before. The figure for female was 88.6%. Of those who had been employed before, majority of them (i.e 67.4%) had been sacked. Only 9.5% of them expect to be reinstated.

9. Over 97% of the job seekers were single and had no dependents. 90.7% of them live with their parents or relatives.

The following conclusions were drawn from part B of the analysis:

1. The best fitting search variations are search duration (i.e R^2 = 27%) followed by reservation wage (i,e R^2= 13%) and search cost (i.e. R^2= 6%). The anticipated tenure of job sought was the least explained (i.e R^2 = 4.5%).

2 The estimated tenure of job is statistically determined by sex, search duration, quit decisions and non-wage income. Conventionally only quit decision is significant from this study, But as a group they are not significantly different from zero.

3. Expected recall, sex, non-wage income, quit decision and marital status can determine search cost statically. But only marital status is significant conventionally.

4. Reservation wage is statistically determined by search duration, training, education and marital status. At conventional level only education is significant.

5. Duration of search is statistically determined by sex, non-wage income, reservation wage, age, search extensiveness, education, subsidy of basic needs and training. Age, search extensiveness, subsidy of basic need and training are conventionally significant.

5.2 Policy Recommendations

From the two parts of analysis, we have given policy implications in two sets. The first set provides policies arising from conclusions first section of chapter 4 findings. These are:

1. Since most job seekers are young and untrained for the job they sought, there is a need to have more institutions with a curriculum which recognize the existing and future labour demand of the Ethiopian economy.
2 Comparatively more females are untrained as well as being at the lower level of education than males. Therefore there should be ways and means of keeping females longer in schools and training centres to reverse the existing situation where girls join labour market when they are very young. This will alleviate the apparent problems where most young females are desperately looking for jobs.
3. Students in schools and colleges should be enlightened on the current trend of diminishing opportunities in the formal sector and be induced to seek employment from the informal sector, e.g, by introduction of entrepreneur education in all levels of education. This will give an insight of benefits accruing from informal sector and induce most new entrants in to the labour market to join informal sector.
4. This study shows that most of the respondents seek for white collar jobs. Here labour-intensive investment polices must be based on the type of labour to be

intensified. The implication is that investment offices must recognize the human capital of the country in terms of job seekers economic and search variables so that to encourage those investments which come to demand the type of unemployed the country has.

5. Most of the trained respondents were trained in the informal sector. It is a high time that we recognize the great role played by the informal sector. we therefore need to redouble our assistance in this sector, for example, by providing more freedom to the participants, by providing soft loans and strategic operation areas. We should aim at streamlining jobs in the sector to become acceptable by most trained and educated young job seekers.

6. All job allocations should be done by a well known and established body to enable job seekers early access to the jobs that they look for. This can be done by improving coordination between employment offices and employers all over the country, and ensuring that recruitment for jobs done only by employment offices. For such a body to succeed, it should be free from red tape, bureaucracy and other malpractice.

The policy implication arising from regression results include the following.

1. Longer planned job tenure may be useful for the economic development since it result in more experienced labour. To have this, reducing the number of quits by laws which protect the rights of employees must be applied. The welfare of all employees should be emphasized.

2. In a country like Ethiopia where there is excess supply of labour and low demand of labour longer search duration is expected. Such wastage of labour time can be saved by trained them. Thus training institutions must be opened so that to develop our human capital to be demanded by the country economy. If

also job seekers subsidized basic needs, they can minimize the time they waste in searching jobs.

3. On the other hand formal education can not guarantee employment. This may be because of the curriculum of the country education. Thus there is a need for studying why it doesn't guarantee and as well as the role of being trained for particular jobs in reducing wastage of labour time at the time of job search.

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Appendix

Questionnaire

Introduction

I am a postgraduate student in Addis Ababa University carrying out a research for my M.A. Research Project on an Unemployed Job Search Behaviour. The information I will collect and finding of the research are purely for academic purposes. The details you give about yourself will not be diverted elsewhere. It will be treated strictly confidential.

Date _____

Respondent's Name _____ Address _____

1. PERSONAL CHARACTERISTICS

1.1 Age..... Years.

1.2 Sex (1) Male (2) Female

1.3 How are you related to the head of the family?

1. Head 2. Wife 3. Son 4. Daughter

5. Other relation

1.4 Education and Training

1.4.1 What level of education did you attain?

1. None 2. Primary 3. Junior Secondary

4. Senior secondary 5. Technical institute

6. College 7. University

1.5 Were you a full time student? (1) yes (2) No

1.6 When did you complete your education/training 19.....

1.7 Where were you born ?_____

1.8 If not in Addis Ababa, When did you migrate to this place? 19....

1.9 What are your main reasons for moving to this place

1. Education 2. Marriage 3. Seek Job

4. Is a better place to live 5. Others (Specify)...

1.10 What type of a job are you looking for?

1.11 Are you trained for this job? 1) Yes 2)No

1.12 If yes, how?

1. Vocational School 2. Polytechnic

3. Institute of technology 4. College

5. University

1.1.3 Who financed your education/training?

1. Parents 2. Relatives

3. Other Sponsors (specify) .....

2. Number of Dependents

1.2 Are you married? 1. Yes 2. No

2.2 If yes, how many children do you have?....

2.3 A part form your children, who else do you assist?.....

2.4 If no, do you support anybody?

1. Yes 2. No

2.5 If yes, How many? .....

3 SEARCH ACTIVITY

3.1 How did you look for job last week?

1. Asked Friends/relatives

2. Direct visit to employers

3. Answered Newspaper/Radio Advertisement

4. Wrote to employer/fiends relative

5. Applied to unions office

6. Other (Specify)...

3.2 For how long have you been searching for this job?..... days/ weeks/ months/ years.

3.3 How much longer will you search for the same job? ..... days/ weeks/ month years

3.4 For the job you are looking for, how much money would you like to be paid per month? Birr.....

3.5 For how long do you expect to remain in that job if you get an acceptable offer?.. months/ years.

3.6 What are you planning to do if do not get an acceptable offer soon?

1. Keep looking

2. Ask for lower offer

3. Look for a different job

4. Move to other urban centre

5. Move to rural area

6. Stop looking

7. Others (Specify).....

4.Past Job Experience

4.1. Have you ever been employed before?

1. Yes 2. No

4.2. If yes, how did you leave the job?

1. Sacked 2. Quit 3. Other (Specify)...

4.3. For how long had you worked in that job?

..... days/weeks/months/years

4.4. What method had you used to get that job?

(Code as 3.1)

4.5. Do you expect to be called back to the old job?

1. Yes 2. No

5. Search Cost

5.1. How many newspapers do you buy in a week to look for job advertisements?

5.2. How many firms did you contact personally for the last one month?....

5.3. On average how much money do you spend in travelling to make this contacts per months?Birr.....

5.4. On average how many application letters or other letters concerning employment do you write for the last month?.....

5.5. On average how much money do you spend for these application letters? Birr .....

6. Income and Assets Value

6.1. How much money do you receive from the following as assistance in a month?

1. Sisters/Brothers 2. Parents 3. Wife/husband

4. Other relatives 5. Friends 6. Others(specify)...

6.2. What other support do you receive from them? (in kind)

1. .....

2. .....

6.3. If you have house, how much can you value it? Birr.....

6.4. Could you be having other properties?

1.Yes 2.No

6.5. If yes, what are they?

1.....

2.....

6.6. How much do you value each one of them?

.....

7. Government Assistance

7.1. How would you like the Government to assist you during this time that you are unemployed?

.....

.....

DECLARATION

The thesis is my own original work, has not been presented for a degree in any other university and all sources of material used for the thesis have been duly acknowledged.

Declared by

Freheiwot Wolde

June 19, 1999

Confirmed by

Prof. Teshome Mulat

June 19, 1999