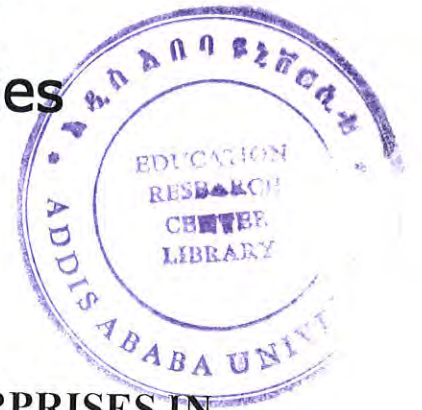




Addis Ababa University
School of Graduate Studies



**THE ROLE OF MICRO AND SMALL ENTERPRISES IN
REDUCING YOUTH UNEMPLOYMENT OF TECHNICAL AND
VOCATIONAL EDUCATION AND TRAINING GRADUATES IN
ADDIS ABABA**

BY:

TEMESGEN ABERA

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July, 2007

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**A Thesis Submitted to the School of Graduate Studies of Addis
Ababa University in Partial Fulfillment of the Requirements for the
Degree of Masters of Art in Vocational Education Management.**

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Acknowledgments

First of all, I would like to thank the Almighty God. Many people also generously have contributed for this thesis to materialize successfully.

Ato Lemma Setegn, my advisor, provided me with the overall guidance and professional support throughout the research. I would like to thank him first for making invaluable comments and advice. My gratitude extends to Dr. Wanna Leka, for his enthusiasm in encouraging and supporting me from the very beginning of my research.

I would also like to thank Dr. Yekunoamlak Alemu and W/ro Genet Meseret for recognizing the significance of this research and provided me with constructive comments and criticism in shaping the research, against their busy schedules.

I am also grateful to organizations such as the ILO Addis Ababa Office, the World Bank and ECA libraries that are included in this study for their willingness and for the information they provided me. Moreover, I would like to extend my thanks to the staff of Addis Ababa Regional MSE Development Agency officers especially to Ato Yohannes Solomon and Ato Wondatir Abay for facilitating the survey, providing me with the information and data I needed. Finally, my special thanks also goes to Julia Schmidt, Dr. Andreas and Ato Yared Fekade (GTZ-ECBP).

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Acronyms and Abbreviations

AAU	Addis Ababa University
AIDS	Acquired Immune Deficiency Syndrome
ADB	African Development Bank
BDS	Business Development Service
CSA	Central Statistical Authority
CIA	Cooperative Industry Area
EC	Ethiopian Calendar
ECA	Economic Commission for Africa
ECBP	Engineering Capacity Building Program
ESDP	Education Sector Development Program
FeMSEDA	Federal Micro and Small Enterprises Development Agency
GTZ	German Agency for Technical Cooperation
HIV	Human Immunodeficiency Virus
ILO	International Labor Organization
LMIS	Labor Market Information System
ME	Micro Enterprises
MFI	Micro Finance Institution
MOE	Ministry of Education
MSE	Micro and Small Enterprises
MSME	Micro, Small and Medium-sized Enterprises
NGO	Non Governmental Organization
OECD	Organization for Economic Cooperation and Development
AAReMSEDA	Addis Ababa Regional Micro and Small Enterprises Development
SDPRSP	Sustainable Development and Poverty Reduction Strategy Paper
SSA	Sub-Saharan Africa
TGE	Transitional Government of Ethiopia
TVET	Technical and Vocational Education and Training
UNESCO	United Nations Education, Scientific and Cultural Organization
UNIDO	United Nations Industrial Development Organization
USAID	United States Agency for International Development

Abstract

Extreme poverty and youth unemployment have been critical problems and concern for developing countries. Cognizant of this, Technical and Vocational Education and Training (TVET) institutes are particularly viewed as major instruments to attain the desired development and employment. In this regard, Micro and Small Enterprise (MSEs) are the main income generating activities of youth operating enterprises in Ethiopian cities and towns thereby contribute to unemployment reduction and poverty alleviation. Overall, attention needs to be given to the neglected area, especially, such as the role of these MSEs' in sustainable employment creation for youth TVET graduates.

The objective of the research was to identify the role of MSE in reducing youth unemployment or creating employment opportunities for TVET graduates in Addis Ababa City Administration, specifically in the Cooperatives Industry Areas (CIAs) and to provide possible solutions. The similarity of training and current job of MSE operators, the factors of self-employment, the causes of unemployment, the assessment of underemployment, the contributions of the MSE sector, the provision of credit services, and the status of BDS facilitation were the major themes of the study. In order to gather relevant information from MSE facilitators and TVET graduates, descriptive survey method was employed. Moreover, five Cooperative Industry Areas (CIAs) was included in the study that had highly concentration of both types of formal and non-formal TVET graduates who are operators of MSEs in Addis Ababa CIAs. The selections of those CIAs were based on 'one CIA from one Sub city' basis using purposive sampling technique. Since both types of TVET graduates are highly concentrated in those five sub cities, 52 formal TVET graduates, 30 non-formal TVET graduates and 20 MSE facilitators (four Regional MSE facilitators, eight Sub city MSE facilitators, eight Kebele MSE officers) were taken using availability sampling technique.

Based on the basic questions of the study, the collected data through two main groups of questionnaires were analyzed. Finally, summary of major findings, concluding remarks and recommendations have been made based on the major themes of the research. The research results revealed that the majority of the TVET graduates' present job was completely different from their training area. In addition, among them the majorities were not self-employed after graduation and didn't obtain wage employment after graduation. Moreover, the current production capacity of their enterprises' was found being under production capacity and most of the TVET graduates are currently looking for other jobs. Consequently, most of the TVET graduates joined in to the MSE business because they could not have any other options. Above all their production was in problem due to lack of loan. Currently, they need assistance of BDS and market place for their products. Overall, the sustainability of employment of those youth TVET graduates was critical. Therefore, the following recommendations are drawn: (1) facilitate advanced short and long term training for those misplaced graduates through on-the-job training (the training, the trainer and the trainee in the workplace); (2) Micro Finance Institutions (MFIs), TVET institution officials and MSE facilitators should recognize and make a conducive environment by considering the major determinant factors of self-employment for youth TVET graduates after graduation; (3) to minimize unemployment after graduation, trainees should be involved in part-time work at least in voluntary service term while they were attending their training in line with the apprenticeship program; (4) the federal government should also intervene more on the expansion of CIAs for sustainable economic basement as well as business incubators should be expanded in every sub city level; (5) regional MSE and MFI officials with collaboration of TVET institutions should open branch offices in every TVET centers; (6) MFIs with collaboration of government Banks and Private Banks should create reasonable rate of loan interest for MSE operators in the CIAs; and (7) in order to provide BDS facility, other than government, non-governmental and private organizations should participate through in 'fee per service' procedure.

CHAPTER ONE

THE PROBLEM AND ITS APPROACH

1.1 Background of the Study

A number of researchers have attempted to identify relevant outcomes linked to youth unemployment problems worldwide. Schoof (2006:1) emphasized that to reduce youth unemployment is one of the major global challenges for decades to come. While bound up with the overall employment situation, this challenge has its own dimensions.

Extreme poverty and unemployment have been critical problems and concern for developing countries. Many of these countries have been economically dependent on subsistence agriculture, which is characterized by low productivity, underemployment and disguised unemployment. Coupled with the rising population and limited industrial sector, the economy is not be able to absorb the multitudes of youth unemployed people.

According to Haftendorn and Salzano (2003:10), in many countries, especially in Sub Saharan Africa (SSA), the issue of youth unemployment and underemployment remains as one of the major challenges for governments and development partners. In these countries youth unemployment can be classified into two groups: the first group is primary school leavers not selected for secondary school education and the second group is vocational and secondary school leavers who are unable to gain employment in the formal sector.

Similarly, as noted by White and Kenyon (2002:iv), the absence of capital, access to credit and business know-how is the major hamper for youngsters. Many young people also face the challenge of limited life and work experience. In line with this, as Okojie (2003:5) stated some of the consequences of the problem, the majority of youth in Africa are engaged in informal sector activities as shop assistants, clerical assistants, typists, stewards in hotels, cooks in restaurants, street trading, casual labor and illegal activities such as touting, stealing, armed robbery, dealing in prohibited substances such as drugs, and prostitution. As a result, only a small proportion of youth are engaged in the formal sector.

In fact, most of the times youngsters are strive to contribute to their families and societies; they seek to better their situations; they have dreams and aspirations that they are eager to fulfill. The route to achieving these is through decent work. If this door is closed, the future of young people, their families, communities and societies is miserable (ILO, 2005b:7).

Ethiopia, as one of the highest youth populated nations, is among the poorest and least developed countries in the world with a per capita income of \$ 110 in 2001. According to MEDaC (2002:17), 44 percent of the total population of Ethiopia is categorized as absolutely poor and new job opportunities have not kept pace with the labor force growth.

Likewise, as noted by the recent ILO's report of 2007, Ethiopia, for example, is a country considered to be one of the poorest in the world. Yet, it has the potential to reduce its poverty and unemployment, as do other countries. The question is 'How?' (ILO, 2007:2).

To avert the above problem, many scholars have put forward different methodologies. Hence, different development theories have been proposed to indicate the ways by which the developing countries including Ethiopia can come out of the vicious circle of poverty.

In this regard, Technical and Vocational Education and Training (TVET) institutes are particularly viewed as major instruments to attain the desired development through strong linkage with the needs of the labor market and the prerequisite of the nation's economy. As stated by Yekunoamlak (2001:83), TVET program has its role to play in fostering aspired national and regional economic development.

UNESCO and ILO (2002:53) have also explained the contribution of TVET in manpower development, significantly to promote the interests of individuals, enterprises and the society at large. Moreover, by producing employable graduates, training contributes not only to economic development but also to gain access of decent employment and good jobs. As a result, education and training could lead to reduce the amount of unemployment.

In this respect, employability is a crucial outcome of any institution. As clearly disclosed by Foster (1966:146), absence of employment is wastage of resources including the workforce. Such wastage in the case of many underdeveloped countries is particularly undesirable.

Hence, the capacity of the economy to absorb TVET graduates must be overhauled. In this regard, MOE (2003:3) stated that, the TVET strategy in Ethiopia underscores demand driven or counter supply approach and pronounces that graduate's self-employment is crucial.

On the other hand, one of the packages in the economic development process of any country that used to accelerate economic growth as well as to reduce poverty and unemployment could be industrialization. It can be pursued either by promoting the development of large-scale and capital-intensive enterprises or small-scale and labor-intensive enterprises. Although, large-scale industrialization is very relevant and desirable for growth, it has little applicability for the present-day in less-developed countries like Ethiopia because of its large initial or start up capital and highly skilled manpower requirements.

In this regard, the role played by Micro and Small Enterprises (MSEs) is very crucial in many standards. The sector, besides accelerating the strength of the national economy, it could create job opportunities for the mass of people including youth TVET graduates.

In Ethiopia, it is widely accepted that the MSE sector has the potential to provide a livelihood for a considerably large number of people (Zewde and Associates, 2002:1). These enterprises use available resources, create more jobs, and employ locally labor. Moreover, they are bases for a large industrial development. This is an encouraging strategy that labor markets are working, young people are finding opportunities to practice their skills as well as contribute their part for their country in ways that empower themselves and nourish their families; otherwise most remained disadvantaged.

A very good example for Ethiopia's case is the Indonesians survey study. The relationship between education and unemployment in Indonesia is widely known with the level of education and the rate of unemployment increase. The most frequently mentioned reasons are the following: (a) the rapid increase in the level of education of youth; (b) the poor quality of higher education and the consequent mismatch between supply and demand, and (c) the social background of educated youth (they often come from better-off families, enabling them to search for a job for longer). The survey findings have revealed that a similar relationship between the level of education and the duration of job search, with those with technical and vocational education (Sziraczki and Reerink, 2005:29).

Although the MSEs, in relation to large firms, are relatively more labor-intensive, more efficient, more equitable in distributing the income they generate, and more nurturing of youth entrepreneurs; there seems no economic and political conditions favorable to develop them. For instance, the MSE sector in Ethiopia appears to be filled with a number of constraints that suffocated its rapid growth and development as a means of overcoming poverty and unemployment (Zewde and Associates, 2002:1).

Overall, appropriate entrepreneurship and business development services for this special group of potential new entrepreneurs are necessary. Any proposed project should tries to find appropriate answers to the difficult task of preparing young TVET graduates for a successful career in self-employment (Lachenmaier, 2002:41). However, massive expansion of the education system, particularly TVET, in the absence of parallel economic development will lead to surplus of labor force beyond the capacity of the economy (Yekunamlak, 2001:85).

Due to this fact that there is urgent need to examine strategies and implement in the direction of the advancement of this sector in order to reduce youth unemployment. This requires base line information about the linkage between the existing activities of these enterprises and TVET institutions. As a result, continuous collection of data related to the existing economic and social situations in general and MSEs in particular are important for the success of the sector development.

All in all, the situation in Ethiopia in general and in Addis Ababa City Administration in particular calls for an appropriate option of development and employment strategies. Especially, attention needs to be given to the neglected area, such as the role of these MSEs' development in employment creation for youth TVET graduates.

Thus, it seems crucial to conduct a research that aims at investigating some of the major opportunities and constraints that have great impact on reducing youth unemployment or creating employment opportunities in the sector and come up with recommendations that will promote the sector in order to support youth TVET graduates.

1.2. Statement of the Problem

In the Ethiopian context, young people, described as those between 15 and 29 year old, lack in most instances sufficient education and training, work experience, job-search know-how, and the skills that are in demand in the labor market. They suffer the most in the labor markets, which are typified by an excess of jobseekers competing for comparatively few vacancies. In this regard, unemployment remained in Ethiopia in the double digits from 1999 Labor Force Survey (LFS) to the 2004 Urban Based Employment/Unemployment Survey (EBEUS) (World Bank, 2006:46).

In line with this, ILO (2004) stated three general youth problems. Firstly, young people confront many of the same labor market problems as adults but often greater in the case of the young. Secondly, they are affected by certain age-specific difficulties, which are of a different nature than those faced by adults, which further aggravate their disadvantaged position. Thirdly, and most significantly, young people are one of society's most important assets, a powerful source of energy, creativity, and innovation. As such, if allowed to do so, young people can make crucial contributions to the well-being of the societies they live in.

According to Zewde and Associates (2002:6), only a limited number of graduates of formal TVET will find employment in the formal sector. Consequently, the new training programs (10+1, 10+2 and 10+3) explicitly aim to address the needs of self-employment. However, training modules in business stream alone do not necessarily create successful entrepreneurs.

Currently high growth rate of school graduates and its negative effects on resource and knowledge use would intensify the unemployment problem (Getachew, 2002:1). Moreover, the high share of the job-seekers and self-employed who left or unable to continue further education for financial constraints calls for further research on the real cost of education to families (Sziraczki and Reerink, 2005:17).

Even though the roles of MSEs in the Ethiopian economy are better recognized, there is no adequate baseline data on the sub sector. Although significant strides have been made to allow MSE to be created, there are formidable constraints militating against the development of both existing MSEs and/or those that aspire to start up a new business.

As noted by Getachew (2002:14), the young and educated Ethiopians are hardly hit by unemployment. School leavers, are forced to take menial jobs that could be performed by less educated persons. This has resulted in the frustration of the aspiration not only of the young and better-educated people, on whom the future of the development of the country rests, but also of their parents and families who have invested in their education.

In this regard, the opportunity of employment in Addis Ababa city administration for any relative job, not only frustrates the youth TVET graduates of the city but also incur costs to the overall economic and social activities. Consequently, youth TVET graduates who are unemployed seem strive to attend other than their fields of professions.

Perhaps, the problems of youth unemployment could be reduced to a reasonable degree in the city. In this regard, the number of researches that covered the issues around performance and role of MSEs in reducing unemployment and expanding employment opportunities in these new industry areas of the city was very few.

In Addis Ababa, studies that explore practices of MSEs in providing cooperative, self-employment, financial support and market development concept has been limited. Moreover, the process of this intervention in developing good employment practice was not well documented. In addition, it is not widely known to what extent these interventions resulted in increased impact and sustainability of future job to support growth of MSEs in to Medium and Large Enterprises (MLEs). Furthermore, in Addis Ababa, there are no reports on existed programs that used to evaluate their process in terms of employment creation especially for the youth TVET graduate operators. As a result, there is a huge gap in having better insights on the practice of the new industry areas and its status in Addis Ababa city.

Therefore, the major objective of the research was to identify the role of MSE in reducing youth unemployment or creating employment opportunities for TVET graduates in Addis Ababa City Administration, specifically in the MSEs Cooperatives Industry Areas (CIAs) and to provide possible solutions.

Moreover, the study has the following specific objectives:

1. Identify the similarity of the current job of TVET graduates to the area which they trained for in Addis Ababa City Administration Cooperative Industry Areas (CIAs);
2. Identify the major determinant factors of TVET graduates to start their own business (self-employment) in Addis Ababa City Administration;
3. Identify the factors that expose TVET graduates to unemployment after graduation in Addis Ababa City Administration;
4. Assess what determines the working condition of TVET graduates underutilization or underemployment in Addis Ababa City Administration CIAs;
5. Investigate the contributions of the new mechanism of employing TVET graduates under the industry areas and supporting in finance and business trainings.

In accordance with the above major and specific objective, the research attempts to address the following basic questions.

1. Is the current job of TVET graduates similar to the area which they are trained for in Addis Ababa City Administration CIAs?
2. What are the factors that affect TVET graduates to start their own business (self-employment) in Addis Ababa City Administration?
3. What factors expose TVET graduates to unemployment after graduation in Addis Ababa City Administration?
4. What determines the current working condition of TVET graduates underutilization or underemployment in Addis Ababa City Administration CIAs?
5. What are the contributions of the MSE sector in terms of income generation and employment creation for TVET graduates in the industry areas?
6. What are the major problems encountered in the provision of credit services for TVET graduates in the industry areas?
7. What is the status of Business Development Service (BDS) facilitation for TVET graduates in the industry areas?

1.3 Significance of the Study

Poverty reduction and youth unemployment is a burning issue of Ethiopian Government at this moment. Thus, MSE have a unique position for the purpose of creating employment opportunity for the middle level manpower, generating income to him/her self and improving national economy. Therefore, this study believed to have the following importance:

- ✓ The output of this study would have some contributions to the decision makers in considering the existing problems as an input;
- ✓ It is also assumed that the thesis may serve as a reference for those individuals or organizations and those who are interested in the MSE sector;
- ✓ The result of the study may enable to strengthen the current MSE practices in CIAs thereby used as a tool to alleviate youth unemployment and poverty;
- ✓ The study would also throw some ideas for academicians, researchers, students and even to others as a stepping stone for further study; and most importantly, will encourage local researchers to examine the problem in a wider scope.

This study, therefore, serves as means to produce relevant information to policy makers and strategy formulators concerning the activities of MSEs in general and facilitating the employment opportunities for youth TVET graduates in particular not only in Addis Ababa but also in other regions of the country.

1.4 Delimitation of the Study

In order to accomplish the study successfully, in terms of magnitude, areas to be covered and resources required to conduct the research, delimitation is mandatory.

The study is delimited to Addis Ababa City Administration and on industry areas of MSEs that are found in various sub cities. The study also delimited into formal and non-formal TVET graduates who are operators of MSEs. In addition, the study included under consideration of Addis Ababa Regional MSE Development Agency (AAREMSEDA), Sub Cities' and Kebeles' experts and staffs.

1.5 Limitations of the Study

Researches require adequate time, finance, cooperation and materials to undertake successful study. The researcher has faced time constraints due to absence of adequate resource materials of empirical literature on the issue. In addition, it was not possible to get a complete list of enterprises operating in the study area and registered data from kebele facilitators regarding education level of those MSE operators' files. As a result, the investigator was forced to conduct the total enumeration in person at the sampled CIAs.

In addition, absence of cooperation to conduct interview from the respondents was also another challenging event during the survey. Getting both types of TVET graduates was a great challenge while the survey was conducted in the respected CIAs. Consequently, the researcher was obliged to incur additional costs to use mobile phones to get those graduates by appointment. Thus, the study was accomplished successfully by defeating the above limitations except the absence of empirical literature and unable to conduct interview.

1.6 Research Design and Methodology

The principal objective of the research is to investigate the role of MSE in reducing youth unemployment or creating employment opportunities for TVET graduates in Addis Ababa City Administration, specifically in the MSEs Industry Areas. Therefore, descriptive survey method was employed. It is selected for, descriptive research helps to describe and interpret the trend of events that exist now and existed in the past and that have influences on the present (Seyoum and Ayalew, 1989: 59).

1.6.1 Sources of Data

The data for the study were obtained from primary and secondary sources. The primary sources of data for the study were secured from Regional MSE officers, Sub City MSE officers, Kebele MSE officers, formal and non-formal TVET graduates of MSE operators.

As secondary sources, relevant literatures were consulted to acquire information and insights in the area of the study. In addition, various available documents and publications were thoroughly reviewed and analyzed to acquire background information about the issue.

1.6.2 Population and Sampling Techniques

In Addis Ababa City Administration there are about 21 CIAs found. Among those 21 CIAs 5(1/4th) were included in the study. The selections of those CIAs were based on ‘one CIA from one sub city’ basis. Therefore, according to the above procedure there are 5 sub cities namely: Arada, Gulele, Kolfe Keranyo, Lideta and Yeka sub cities were included in the study using purposive sampling technique. Those CIAs were selected purposively to be the research point for three reasons. Firstly, it is due to the geographical location of the CIAs that it has an advantage in terms of time and resource utilization. Secondly, each selected CIAs, according to the information secured from the MSE facilitators, had highly concentration of both types of successful and unsuccessful youth TVET graduates. Third, it is relatively convenient for the researcher to identify the problems in depth that the researcher had a prior exposure during his career in the area. Accordingly, it is believed to obtain reliable data that enable on the real causes of the problems mentioned above.

Since both types of TVET graduates are highly concentrated in those five sub cities, 82 TVET graduates and 20 MSE facilitators (four Regional MSE facilitators, eight Sub City MSE facilitators, eight Kebele MSE officers) were taken using availability sampling technique in order to include all items of composition into the sample size. By doing this, the researcher would have reliable and adequate information on the issue under study. The following table shows the total and sample population of both TVET graduates of MSE operators in the study with their respective CIAs and sub cities.

TABLE 1: Sample Size of TVET Graduate Respondents

No.	The Sample CIAs	Formal TVET Graduates	Non-formal TVET Graduates	Location of the CIAs (Sub cities)
1	Ras Emeru	8	8	Arada
2	Ledeta	11	4	Lideta
3	Flipose	10	2	Kolfe Keranyo
4	Menen	8	12	Gulele
5	Gurara	15	4	Yeka
	Total	52	30	-

Source: Author's survey, 2007

1.6.3 Instruments of Data Collection

The major instruments of the study were two categories of questionnaires. The first category of the questionnaire was prepared and employed to MSE officials. The second category was designed and employed to the formal and non-formal TVET graduates. A total of 20 and 82 copies of questionnaires were distributed to MSE officials and both types of TVET graduates respectively. These structured and mainly close ended questionnaires were helpful to gather information from the respondents.

1.6.4 Procedures of Data Collection

The study incorporates different stages. At initial stage the data gathering instruments were drafted on the basis of the reviewed literature and problems of youth unemployment related issues. The researcher had established the design of structured and mainly close ended questionnaires. Then the questionnaires were pre-tested on Lafto industry area, located at Nefas Silk Sub City area, ten TVET graduates who are operators of MSEs to check for the consistency of the results when administered on subjects. As a result, some vague questions and three unnecessary question items were clarified. Accordingly, some modifications were made for the final conduct of the survey. Following, the questionnaires were modified in accordance with relevant inputs obtained from thesis advisor, professionals, and friends' of the researcher in the field of labor economics sector.

At the preliminary stage of questionnaire administration, the researcher made clear the objectives of the study to all respondents so as to avoid unnecessary confusions. In order to maximize the rate of return, attempts were made to distribute the questionnaire at convenient time for respondents. Moreover, a close follow-up was made to obtain reliable data return.

In this procedure of data collection, both TVET graduates in the sampled CIAs were approached through questionnaires. Accordingly, questionnaires for MSE facilitators and both types of TVET graduates were distributed and collected. A total of 20 copies to MSE facilitators, 82 copies to both types of TVET graduates were distributed, filled in, returned and included in the study.

1.6.5 Data Analysis

Depending on the nature of the collected data and the questions of the study, different statistical techniques and tools were employed for data analysis and interpretation. Hence, based on the responses obtained from the sample respondents, frequency, percentage and spearman rank order correlation coefficient were employed. Furthermore, t-test and chi-square were utilized for further analysis in order to determine whether there is difference among respondents or not.

The data analysis was done using the latest Version 15.0 software of SPSS (Statistical Package for Social Sciences). All the necessary tables were produced after clearing and editing the data. Some close-ended and few open-ended question items were directly analyzed. Overall, analysis and interpretation were made based on the basic questions. In analyzing the data, quantitative methods were used as governing techniques.

1.7 Definition of Key Terms

Business Development Service: as all external non-financial supports to MSEs that increase operational capacity, access to markets, management skills, financial efficiency and access to networks that enable a number of MSEs to access markets, know-how, networks, information, etc. (Anderson, 2001:5).

Cooperatives: are autonomous associations of persons united voluntarily to meet their common economic, social and cultural needs through jointly owned and democratically controlled enterprises for the benefit of participating members (Mwaniki, 2006:7).

Cooperative Industry Areas (CIAs): are clusters of sectoral and geographical concentration of enterprises, in particular, Micro, Small and Medium Enterprises (MSMEs), facing common opportunities and threats (Finnegan, 1999:37).

Development: collective and sustainable social and economic well being of a community, bringing about a decent standard of living and equity within a society. It also refers in this context to the reduction of poverty, unemployment and underemployment to rapid industrialization (ILO, 2005b).

Employability: is ones status which results in the existence of jobs, the enhancement of quality jobs, and sustainable employment (ILO, 2001:30).

Enterprise: - refers to a unit of economic organization or activity whether public or private engaged in the manufacture of goods. In addition, the Central Statistical Authority, for the purposes of its surveys attached various definitions to enterprises in different sectors namely, the informal sector, cottage or handicrafts, small-scale manufacturing industries and medium- and large-scale manufacturing industries (CSA, 2003).

Micro Enterprises: Micro enterprises are business enterprises found in all sectors of the Ethiopian economy with a paid-up capital of not more than Birr 20,000, (\$2,500) but excluding high-tech consultancy firms and other high-tech establishments (Zewde and Associates, 2002:2).

Small Enterprises: are those business enterprises with a paid-up capital of above Birr 20,000 and not exceeding Birr 500,000, and excluding high tech consultancy firms and other technology establishments (Zewde and Associates, 2002:2).

TVET: Refers to all forms and levels of technical and vocational educational process involving, in addition to general knowledge, the study of technologies, business and related fields and the acquisition of practical skills, know how, attitudes and understanding related to occupation in the various sectors of economic and social life (UNESCO, 1999).

Underemployed: A TVET graduate who does not use his/her full knowledge and skill or a graduate of TVETS who works less than 40 hours per week. Moreover, according to the definition of Sugiyarto (2007:7) it is the underemployed comprise all workers who are involuntarily working less than the normal duration of work determined for the activity, and seeking or available for additional work.

Unemployed: A TVET graduate, who does not get any job, be it wages employment or self-employment. Axmann (2004:iii) also stated that, exposed to serious deficiencies in decent work, such as in terms of low wages, precarious working conditions, lack of access to social protection, and lack of freedom of association.

1.8 Organization of the Study

The study consists of four chapters. The first chapter includes introduction of the study, statement of the problem, significance of the study, delimitation of the study, limitation of the study, research design and methodology as well as definition of terms. The second chapter deals with review of related literature. The chapter includes concepts and definitions of youth (un/self/under)employment, the role of MSE for youth labor utilization, and education and training for youth skill development. The third chapter which is the heart of the study comes with data analysis and interpretation. The collected data through the application of different instruments is discussed in this part. The fourth chapter is dedicated for summary, conclusions and recommendations. Lastly, bibliography, map of Addis Ababa city and sample questionnaires are given as appendices.

CHAPTER TWO

REVEIW OF LITERATURE

This chapter deals with three major sub-topics which encompass the concepts and definitions of (Un/Self/Under)employment, MSE, and TVET with special reference to the educated youth, especially the one with vocational and technical training.

2.1 Concepts and Definitions of Youth (Un/Self/Under)Employment

As the Millennium Summit tells us, we must develop and implement strategies that give young people everywhere a real chance to find decent and productive work.

Kofi Annan, UN Secretary-General, Global Employment Forum, ILO, Geneva, November 2001.

Young people in their youth age group require social, economic and political support to realize their full potential. This is a time when most young people are going through dramatic changes in their life circumstances as they move from childhood to adulthood. Therefore, it would be useful to start with definition and concept of youth before looking at specific youth workforce participation in labor force, either employed (with work), unemployed (not working and looking for work) or underemployed (underutilized). This sub-chapter attempts to assess relevant and related literature review about the issue.

2.1.1 Definitions of Youth

Internationally there is no generalized definition of the term “youth”. Whilst age provides certain simplicity to dealing with this issue, the influences of culture, economics, society and politics vary from one country to the next. Therefore, each country or institution has established its own definition of youth in response to national circumstances. For instance, the United Nations defined youth age 15-24 years old and the Ethiopian Social Security and Development Policy defined youth age between 15-24 years old.

According to MOLSA (2004:9), the word “Youth” is more inclusive than the word “Adolescence” as well as the varieties of age-based group definitions. For instance, youth means in Mozambique 14-35 years; in Australia 12-25 years; in Nigeria 16-30 years; in Botswana 12-29 years; in Swaziland 12-30 years; in Uganda 13-35 years; in Malaysia 15-40 years; and in Zambia 15-25 years.

The age definition, despite its limitation, offers certain statistical utility as well as the practical convenience of a definitive social group that has its own specific problems or needs. For example, in Ethiopia, the Ministry of Labor and Social Affairs and the Ministry of Youth, Sport and Culture deal with the issues of employment and youth employment, respectively. The Ministry of Youth, Sports and Culture created the National Youth Policy in March 2004, defining youth as individuals aged between 15-29. Thus, youth includes those aged 25-29 in addition to the youth age defined by the UN (Brehanu, Abraham and Hannah, 2005:4).

2.1.2 Definitions and Concepts of Youth Labor Utilization

To start with, the employed and unemployed constitute the labor force. The standard labor force framework (LFF) defines working as conducting economic activities for at least one hour during a reference period. This working concept encompasses all types of employment situations: formal, informal, casual, short-time, and all forms of irregular jobs during the reference period, which is usually one week prior to a survey date.

Sugiyarto (2007:2) explained that during the reference period, the worker could be working in self-employment (employers, own-account workers, and unpaid family workers are considered as self-employed), family business enterprise or even temporarily not working for a number of acceptable reasons such as because of illness or injury, vacation, strike, training leave; maternity, suspension of work, electrical breakdown, shortage of raw materials, other temporary absence with or without leave should be considered as in paid employment provided they have a formal job attachment. Nevertheless, the unemployed comprises those who are not working, are available for work, and looking for a job.

Often, employment is defined by different authorities related with payment in cash or in kind. Getachew (2002:11) argues that, there is a minimal distinction between a person who is employed at very low income and one who is unemployed.

The 1999 National Labor Force Survey by CSA considers people working in the government institutions or non-government organizations as being working in the formal sector considered as formal employees. On the other hand, other employed workers whose employment statuses were employer, private employer, self-employed, and apprentice were categorized as formal, informal or not-identified whether the enterprise has a license or not (CSA, 1999).

With regard to utilization of labor force in working hours, the National Labor Force of 1999 reports that the mean number of hours worked (it has been computed based on the number of hours worked in last seven days) was about 23.3 per week in the Ethiopia.

Likewise other sources also confirmed that, for instance as stated by Mulat, Fantu and Tadele (2005:10), in Ethiopia the majority of workers in urban areas working relatively longer hours (40- 48 hours per week) than workers in rural area (about 13-21 hours per week) reflecting that under-utilization of the employed labor force in the country.

On the other hand, one of the measurements of underemployment of workers in one country is productivity. According to the 2002 CSA survey about underutilization of firms in Ethiopia indicated that lack of capital as the major problem of the industry followed by the absence of adequate skills and shortage of supply of raw materials were the main constraints for not fully using their working capacity.

Some countries have an amazing cut off for working hours. For instance, according to O'Higgins (1997:1) the Netherlands have implemented a twelve-hour per-week rule. That is, using this definition, a person is defined as unemployed if they have worked less than twelve hours in the reference week.

In Ethiopia, the definitions from the population census and labor force surveys are can be used for this case. According to the provisions of the Labor Code of the country 2004, normal hours of work shall not exceed eight hours a day or forty-eight hours a week.

As stated in the National TVET Strategy Discussion Paper (2006:6), underemployment and unemployment has been a pervasive problem for dynamic growth of the private sector in Ethiopia. Moreover, of particular concern is that unemployment among the youth is significantly higher than the rest of the workforce.

Sometimes, young people may be able to obtain only part-time work. But not all these persons are currently active at any particular point of time. For instance in Pakistan, as noted by Majid (2000:10), the active labor force comprises of all persons who fulfill the requirements for inclusion among employed or unemployed during the reference period that is one week preceding the date of interview. In addition, the underemployment is estimated as a ratio of the employed who worked less than 35 hours a week in Pakistani states.

2.1.3. Nature and Concepts of Youth Employment

2.1.3.1 Youth Employment Challenges

The primary goal of the ILO today is to promote opportunities for women and men to obtain decent and productive work, in conditions of freedom, equity, security and human dignity.

Juan Somavia, ILO Director-General

Human beings are, by their nature more flexible and therefore more easily trained when young. Corollary to this patterns of behavior established at an early stage will tend to persist later in life. One fairly obvious but important aspect of youth unemployment is the relationship between unemployment and labor force participation (O'Higgins, 1997:4).

Derebssa (1997:9) explained straightforwardly by comparing among nations that in many developing countries, attention is being focused on widespread and growing unemployment among young people, most of whom have attended schools varying lengths of time and cannot find works which match their aspirations or their potential abilities. However, richer nations in recent years have also had to contend with unemployed youth, but the magnitude of their problem has been much less.

Often this problem is also directly or indirectly connected with poverty. Any country wishing to reduce, if not resolved, the negative effects of poverty, must find ways to provide decent and productive jobs for those affected. This is relevant whether an entire country, or merely a few of its citizens, is affected (ILO, 2007:2).

ILO (2006:2) revealed that, it is increasingly understood that the access of young people to productive work that generates an adequate income at the time of their transition to work is crucial for breaking the vicious cycle of poverty. The second obvious gain to recapturing the productive potential of underutilized youth is an economic one. Idle youth is a costly group. They are not contributing to the economic welfare of the country. Similarly, regarding youth education for productivity, Carnoy (1977:17) also argued that educated unemployment have lost the society's real resources greater than uneducated unemployed.

Similarly, the opportunities for young people to obtain decent work are influenced by a number of factors, including education and vocational training outcomes, work experience and entrepreneurship options. In this regard, Todaro (2000) stresses that too much emphasis cannot be placed on the expansion of the modern industrial sector to solve the unemployment

problem in developing countries, especially in Africa. Echoing this view, Okojie (2003:6) argues that the causes of youth unemployment in SSA are complex and multidimensional. In general, they can be categorized into demand and supply side problems. They include inappropriate skills, poor economic growth, and growing youth populations.

Regarding the efforts, Balkenhol (1998:1) stated that over the past few years, there has been an impressive increase in the number and volume of government programs that seek to encourage the unemployed, the young, welfare recipients and disadvantaged groups of the population to set up their own, very small business. However, according to ILO (2005a), globally the youth unemployment rate and level have increased during the past decade.

In order to come up with relative solution to the above problems, as noted by ILO, meeting the youth employment challenge calls for an integrated and coherent approach that combines interventions at the macro and microeconomic level, focuses on labor demand and supply, and addresses both the quantity and quality of employment (ILO, 2004b:2).

2.1.3.2 Employment, Poverty and Labor Force Crisis in Ethiopia

Youth development cannot be left to the young alone. We must all play a role. We are challenged to recognize the contribution we must all make to develop our young women and men. If we are to call ourselves a caring society, then we must recognize the duty we have to the disadvantaged young.

Nelson Mandela, Preface of the National Youth Policy, 1997, Republic of South Africa.

Ethiopian's large labor force believed to be hardworking and productive as evidenced in the past architectural wonders of the Axum, Lalibela, Harar and Fasiladas. However, Ethiopia is one of the poorest countries in the world with GDP per capita at slightly over US\$100 a year. Its poverty incidence is about 45 percent and it was ranked 170/177 in the UNDP's Human Development Index in 2005. Its population is being increasingly hit by HIV reached about 4.6 percent in 2004. Consequently, since the post-reform period, economic growth accelerated and productivity rose, but employment creation was negative (Sabrina, 2006:2).

Again, the African Development Bank in 2006 declared that, with an estimated population of 77.4 million, Ethiopia is the second most populous country in Sub-Sahara Africa. Currently, 36 percent of Ethiopians live below the poverty line of 1 US Dollar per day. Food insecurity at the household level is a defining characteristic of poverty in Ethiopia.

Other studies reminiscence of Ethiopia show that, for instance, Dubois (1998:3) in his study *Comparison of National Poverty Strategies in some selected African Countries*, in Ethiopia, in 1974, through a military coup a Marxist government came into power to establish an Ethiopian type of socialism. Then, a centralized development strategy was set up with the objective of reducing poverty and boosting economic growth through subsidies and public allocation of goods. Subsequently, the weaknesses of a regime were that neglected domestic problems such as rural underdevelopment, rampant inflation, unemployment in urban areas, inequality in the distribution of wealth, and corruption appear clearly.

Likewise, the policy and administrative reforms that were undertaken in Ethiopia since the 1990s they are expected to significantly affect the conduct and performance of the labor market in general, and the youth labor market in particular (Brehanu et al., 2005:1). However, as stated by Mulat, Fantu and Tadele (2003:v) that in the beginning of the 1990's Ethiopia embarked on a turbulent period of transition from a command to a market-oriented economy. Nonetheless, in spite of this strong recovery of the economy, employment growth did not keep pace with the growth of the labor force.

In line with this, Alemayhu (2002:22) affirmed that economic performance in Ethiopia is highly correlated with the political process. Ethiopia's history is full of conflicts, drastic policy changes and reversals. Such political processes do also influence economic agents' behavior.

In the recent Ethio-Eritrean war, yet not resolved the boarder issue, a lot of youngsters who might be active labor force for this country were killed or lost. According to Sabrina (2006:2), the war with Eritrea (1998-2000) weakened the positive effects of economic reforms, but economic growth has been recovering quickly in very recent years.

On the other hand, a country like Ethiopia the causes of unemployment are many. According to Zaudneh (1994:21), among them the first is economic backwardness and the other is variation between education system and the economic absorption of the labor force are the mains. The World Bank (2006:51) report stated that many youth in Ethiopia seem to enter the labor market through low quality jobs in the informal sector or into unemployment.

Similar discovery was declared by Wolday and Gebrehiwot in 2006 the study in Ethiopian MSEs operators about their current top three business problems. While they identified quite diverse types of problems, capital constraints, inadequate business premise, and high competition were identified to be among the main problems respectively. Moreover, a significant number of MSEs reported a decrease in the volume of their business because of the Ethio-Eritrean war and the draught suggesting their vulnerability to exogenous shocks.

As noted by African Development Bank analysis, even though Ethiopia has to date approved seven International Labor Organization conventions on core labor standards, the level of unemployment in Ethiopia is high and poses major challenges in the context of poverty reduction. Consequently, the unemployment problem is particularly severe amongst the youth as employment opportunities for school leavers are limited (ADB, 2006:16).

Regarding Ethiopian traditional beliefs and attitudes to work, as clearly stated by Mulat et al. (2005:22) are discouraged savings, encouraged wasteful consumption and tolerated corrupt public administration. Moreover, the number of holidays observed by refraining from work is extremely high among followers of the Coptic Church. Therefore, education and enabling environment are required to transform old cultures and make Ethiopia labor force productive.

The above all problems seem may lead up to the extent of bloodshed of thousands, if not resolved instantaneously, as the country experienced in the past. For instance, as stated by Brehanu et al. (2005:2), the structural unemployment and widespread poverty were believed to be the basis for the riots and violent demonstrations by youths in Addis Ababa in April 2001, upsetting the seemingly peaceful and stable political situation. The incident resulted in many deaths and destruction of property worth millions of dollars.

In absolute terms, Ethiopia is amongst the largest recipients of aid in SSA (ADB, 2006:28). It is therefore important to address how to mobilize the youth for creating employment and the issue of inadequate aggregate demand, and find ways of stimulating economic growth (ILO, 2005b:9).

2.1.4 Youth Self-employment

Many factors influence young men and women in their thinking about self-employment. Frequently, the most popular motivation for self-employment is to “make my own job”. Unfortunately, for many, this decision seems because of unemployment.

In this regard, self-employment for the unemployed is not controversial. Some authorities related it with self-reliance others don't. According to Balkenhol (1998:2), some argue that it leads to self-exploitation and creates unsustainable business; others see it as an instrument of welfare reform. For some it is the bridge to more and better entrepreneurship in the private sector while to others it only increases the pool of working poor whose wages are too low and who end up taking on other income-generating activities. In addition, Zaudneh (1994:12) has stated that self-employment is somehow related to lack of basic needs fulfillment.

The dominant view in the literature is that young people in Africa have a negative attitude towards self-employment, especially in the informal sector. It is generally argued that young Africans prefer formal employment to self-employment because of the ‘white collar’ mentality that they acquire from school (Okojie, 2003:8).

Sziraczki and Reerink (2005:9) on their part stated that it is often assumed that self-employment in developing countries is a last resort for those unable to secure stable wage employment but are in need of income. However, most of the people are either youth unemployed because of the economic crisis or restructuring of the state-owned enterprises. As a result, according to Dubois (1998:18), through its various forms the self-employment, micro-enterprises, and small industries appeared as the best answer to unemployment.

Derebssa (1997:10) also stated that employment is commonly understood to mean work on hire for wages and salaries. Yet in most developing countries only a small portion of the labor force is employed in that sense. However, most of it is self-employed.

There are also many reasons why enterprise interests young people. This includes to avoid unemployment and poverty; to be my own boss; to create my own lifestyle; to help my family; to make money through business profits; to help the local community by providing a good or service that is required; to achieve another goal, e.g. to save money for further studies; or to fulfill a want, need that cannot be met within the community (White and Kenyon, 2002:12).

As Dubois (1998:19) explains that in the meantime, incentives could enhance the creation of new businesses that direct new initiatives and provide information on the market opportunities to help youth switch, later on, through duration and experience, from micro-enterprises or self-employment to the small and medium industries.

2.1.5 Cosmetics Employment (Underemployment)

Underemployment is a situation wherein a worker is employed but not in the desired capacity, that is in terms of compensation, hours, skill level, and experience. Furthermore, as stated by ADB/OECD (2005:222) from a slightly different view, underemployment can take four forms: working less than full time, having higher skills than needed by the job, overstaffing, and having raw labor with few complimentary inputs.

Underemployment is typically categorized and defined into visible and invisible underemployment, where the former consists of work of inadequate duration, that is, both involuntary part-time employment and temporary short-term work, while the latter encompasses work of inadequate productivity. However, most of the time attention tends to focus on visible underemployment rather than “inadequate” productivity (Brewer, 2004:10).

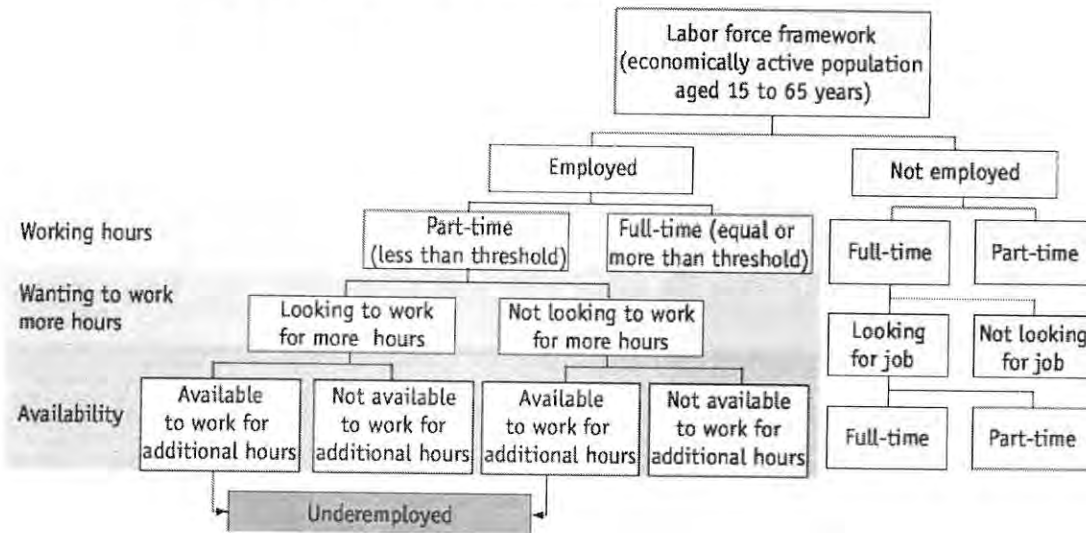
Concerning the measurement of underemployment, as the 16th ILO’s resolution in October 1998, recommended that underemployment, which is defined as all persons in employment who satisfy the following three criteria of (i) working less than a threshold relating to working time, (ii) willing to work additional hours, and (iii) available to work additional hours.

In this context, Sugiyarto (2007:vii) proposed his cut-off point in his recent book entitled “Measuring Underemployment: Establishing the Cut-Off Point”, the underemployed comprise all workers who are involuntarily working less than the normal duration of work determined for the activity. Moreover, the recent approach at the international level is the promotion of a 40-hour workweek as a standard to be realized by ILO member states, and results indicate that the proposed cut-off point of 40 hours per week is the best one.

Generally, the reduction of unemployment and underemployment is one of Ethiopia’s important development goals for reducing persistent and extreme poverty (ESDP, 2002:14). However, in Ethiopia, hidden underemployment has now become a serious problem. One indicator of underemployment, among those classified as employed, is the percentage of

workers who were available for working additional hours. Moreover, the mean hours worked by employed population is far from the standard hours per week, that is only three and half hours per day, reflecting high level of underemployment in Ethiopia (Mulat et al., 2005:10).

FIGURE 1
THE ILO LABOR FORCE FRAMEWORK FOR MEASURING UNDEREMPLOYMENT



Source: Adapted from Hussmanns et al. (1990) in Sugiyarto (2007:8)

2.1.6 Youth Underemployment

Terribly large number of youth in many countries may underemployed, working fewer hours than they would like. Since people in developing countries cannot afford to be unemployed, young peoples take up any available job to survive because it is a win-win situation.

Birchall (2003:28) argue that underemployment is a particular problem in the informal economy. However, according to the ILO (2003b) estimation around 74 million young people are unemployed throughout the world and many young people are working long hours in the informal economy. Moreover, there are an estimated 59 million young people between 15 and 17 years old who are engaged in hazardous forms of work.

Axmann (2004:iii) also stated that, many young people in countries across the world often work unacceptably long hours under informal, intermittent and insecure work arrangements. They can be exposed to serious deficiencies in decent work, such as in terms of low wages, precarious working conditions, lack of access to social protection, and lack of freedom.

Regarding the consequences, youth unemployment and underemployment impose a heavy cost upon governments and societies (Brewer, 2004:13). Moreover, many are under-employed and cannot raise their living standard. So they remain relatively poor (Nwagwu, 2005:8).

All in all, in relation to employment, according to Birchall (2003:28), there is a need to tackle those related problems of low returns to labor and under/unemployment. Moreover, there are three causes of low returns to labor: competition from potential entrants to the labor market which drives down wages; poor productivity because of low level of skill; and adverse terms of trade that make it not worthwhile for people to earn more even if they could.

2.1.7 Misconceptions Concerning Youth and Youth Labor Markets

Youths mentioned many specific problems that they face in their day to day lives. It is increasingly understood that the access of young people to productive work that generates an adequate income at the time of their transition to work is crucial for breaking the vicious cycle of poverty that is inadequate education and training, leading to poor jobs, and the intergenerational transmission of poverty (ILO, 2006:3).

Regarding misconception of TVET after graduation Mulat and Wolday (2000) stated that formal vocational training programs offer introductory technical courses to young labor market entrants. Until recently, almost every graduate of formal vocation training programs in developing countries expected to be absorbed into wage-employment in the formal sector. Because of sluggish growth in the economy and inappropriateness of the training, the expected jobs have failed to materialize. Trainees with diplomas were more interested in pursuing white-collar employment.

Seyoum (1996:30) on his part stated that the negative attitudes of individuals and government institutions towards practical skills are still an open secret in Ethiopia. Furthermore, according to ILO (2006:6), misconceptions, such as those identified below, often result from insufficient labor market information or inadequate analyses of labor market information for youth.

Box 1 : Misconceptions

Misconception 1: Access to education is no longer a problem for young people.

Misconception 2: Because young people today are better educated than ever they will have less trouble finding work.

Misconception 3: Young people like to “shop around” to find the best job. Therefore, they will choose temporary posts in order to gain experience and find the “best fit”.

Misconception 4: Unemployment is the key labor market challenge for youth.

Misconception 5: Youth unemployment rates give an accurate picture of youth labor market challenges.

Misconception 6: Youth are a homogenous group and strategies to tackle youth labor market challenges can be uniformly applied within and across countries.

Misconception 7: With many young people migrating to urban areas, there is no pressing need address the labor market challenges of young people living in rural areas.

Misconception 8: Young people are poor because they do not work.

Misconception 9: It is better to gear job creation programs toward adult jobseekers rather than youth jobseekers because adult jobseekers will need the wages more than the young to support their families.

Source: ILO (2006:6)

2.1.8 Major Factors Affecting Youth Job Creation

Choices about jobs and careers are rarely freely made. They are enabled and constrained by numerous factors, including qualifications, interests, abilities, strengths and weaknesses. They are influenced by family, friends, teachers, social and cultural factors. Therefore, individuals can make their choices through in gaining a job or the necessary education and training (Rolfe and Nadeem, 2007:1).

Some authorities connected the youth unemployment problem with demand-supply perception. However, according to ILO (2005b:8), the factors that affect youth employment can be seen along three dimensions such as those which influence job creation, which encompass aggregate demand and economic growth; those which affect the working conditions, such as legislation, regulations and the business cycle; and those which address employability, including education and training, work experience and labor market services as well as the capacity of institutional structures to integrate youth into the growth process.

Finnegan (1999:4) emphasizes among some alternatives that a large number of youths attempt to establish their own businesses is in the form of MSE. However, to some extent those small enterprises use their own savings for establishing a business or their accumulated profits for expanding an existing one. They do not attempt to obtain finance from external sources. Furthermore, MSEs are often discouraged by banks from applying for finance.

According to White and Kenyon (2002:20), limited access to finance can have two results. First, it may prevent a young man or woman from initiating their business idea. The second result is that people who start a business do so under-capitalized. Given the difficulties that young men and women experience when it comes to obtaining commercial finance for their business, many are required to find finance from “alternative sources”.

However, O’Higgins (2001) lists the following typical components of alternative programs which intended to enable self-employment initiatives: (1) promoting and introducing the self-employment option; (2) training in the necessary skills for self-employment; (3) mentor support; (4) access to finance; (5) access to work space; (6) business expansion support; and (7) access to support network.

2.2 Role of Micro, Small and Medium Enterprises for Youth Labor Utilization

2.2.1 Definition and Concepts of Micro, Small and Medium Enterprises

There is no generally accepted definition of micro, small and medium-sized enterprises. Asseghedech (2003) stated that different countries define MSEs as to fit their circumstances; it is thus difficult to define MSEs neatly. According to USAID (2006:26), most international organizations have adopted a non-definitional policy, although many also employ a working definition of MSEs.

MSE “Micro and Small Enterprise,” SME (“Small and Medium Enterprise”) and MSME (“Micro, Small and Medium Enterprise”) are all widely used in different literatures. The statistical definition of enterprise size varies by country, and is usually based on the number of employees (Biggs, 2002).

In Ethiopia, different government institutions adopted different official definitions to MSEs. The Central Statistical Authority (CSA), for the purposes of its surveys attached various definitions to enterprises in different sectors namely, the informal sector, handicrafts, small-scale manufacturing industries and medium- and large-scale manufacturing industries.

However, according to ILO (2004), for operational purposes, it is often agreed that micro-enterprise include self-employed persons and enterprises with up to 10 workers including paid and unpaid family workers; small enterprises which comprise up to 50 workers. But, ILO proposes that these definitions have to be adapted to specific conditions in various countries.

In Ethiopia, according to Ethiopian Ministry of Trade and Industry (MTI, 1997), and also for the purposes of this thesis, unless indicated otherwise, the term ‘MSE’ groups enterprises normally classified as Micro, Small and Medium Enterprises is defined as follows but excluding high-tech consultancy firms and other high-tech establishments:-

- a) Micro enterprises are business enterprises found in all sectors of the Ethiopian economy with a paid-up capital of not more than Birr 20,000.
- b) Small Enterprises are business enterprises with a paid-up capital of more than Birr 20,000 (\$2,500) but not more than Birr 500,000.

2.2.2 The Role of MSEs for Youth Employment

Governments need to encourage a broad and dynamic concept of entrepreneurship to stimulate both personal initiative and initiative in a broad variety of organizations which include but reach beyond, the private sector, small and large enterprises, social entrepreneurs, cooperatives, the public sector, the trade union movement and youth organizations.

Kofi Annan, Report to the General Assembly of the UN, Sep. 2000, New York.

MSEs play an essential role in securing income and employment for millions of people and in creating new jobs (Sievers, Haftendorn and Bessler, 2003:1). Furthermore, the development of MSEs by and for young people represents an essential source of employment creation for youth. According to Todaro (2000), MSEs play a great role in the formation of human capital by providing access to training and at substantially low costs than that provided by the formal sectors. Thus, the importance of MSEs has no question because they are crucial in path for poverty alleviation.

In the same way, the Kenyan experience, as stated by Kimuyu and Omiti (2000:3), revealed that, small-scale activities and small firms are important in creating employment and they therefore hold an important key to reducing poverty in developing countries. For instance, MSE sector in Kenya is important for employment generation, wealth creation and welfare.

Desta (2002:5) on his part stated that recognition of the importance of MSEs in development led many countries to proactively support and facilitate their growth and development. The objective for their intervention varies. Some see it as a means for poverty reduction, others see it as a means for achieving gender equality among poor households, and others see it as a means for reducing youth unemployment.

Asseghedech (2003:143) also stated the advantages of MSEs over other ventures is that: (1) it gives the benefit of continuing family business; (2) it grants the advantage of exploiting acquired skill; (3) it requires fairly less capital; (4) it involves fewer inventories; (5) it can be run with less sophisticated technology; and (6) the owner enjoys being her/his own boss.

Other study related to this subject in Ethiopia, the African Development Bank report in 2005 stated that the latest approach that has been taken to link MSEs to medium-sized in order to develop value chains seems successful in Ethiopia. The number of MSEs nearly doubled from 1997 to 2003. For instance, in 2003, it was estimated that there were about 1.2 million micro-enterprises and about 65,000 small enterprises active in Ethiopia (ADB/OECD, 2005:229).

In Ethiopia, unfortunately most of the CSA surveys on MSEs don't have information on wages. Thus, it is difficult to capture the structure of wages in the sector. However, according to MTI (1997) and other available evidences estimated that the number of people earning their livelihood from the MSEs and the informal sector activities is eight times larger than others.

Mkandawire (1999:38) summarizes the most frequently asserted specific contributions of the sector in general as follows: (1) increasing of flexibility of the economy; (2) employment generation; (3) innovative entrepreneurial development; (4) stimulation and democratization of capital accumulation by; (5) redressing regional or ethnic imbalances; (6) regional development; (7) poverty alleviation; (8) efficient utilization of resources.

a) MSEs are flexible and adapt to market changes quickly. MSEs have great reliance on indigenous raw materials. MSEs generally show less need for costly infrastructure.

b) MSEs create substantial job opportunity. The sector is characterized by highly diversified activities, which can create job for a substantial segment of the population.

c) MSEs are seedbeds for entrepreneurial development. MSEs offer excellent opportunities for entrepreneurial and managerial talents.

d) MSEs offer potential for resource mobilization. MSEs are to mobilize the unutilized and underutilized saving so as to make productive.

e) MSEs are sources of income for many people. Since MSEs offer a remarkable capacity to absorb labor, there by alleviating the problem of unemployment, MSEs provide income-earning opportunities for a large portion of the population. MSEs generally tend to contribute to a more equitable distribution of income.

f) MSEs add to the variety of consumer goods. MSEs produce relatively cheaper goods and services locally using labor-intensive methods satisfying the needs of particularly the poor people-hence contributing to the variety of consumer goods. Besides, MSEs develop a pool of skilled and semi-skilled workers that will be a basis of future industrial expansion.

g) MSEs facilitate transfer of knowledge. MSEs facilitate effective technology transfer as a result local awareness increases.

2.2.3 The Significance of Cooperatives for Youth Employment in MSE

What potential does the cooperative form have in practice to reduce poverty and youth unemployment? The question is an important one. May be it is part of a wider question, about what forms of social organizations the youth need in order to help themselves be out of poverty. This is also part of an even wider question about what techniques should be used by local governments to achieve development that is targeted on the youth (Birchall, 2003).

To start with, cooperatives are associations of persons united to meet their economic, social and democratically controlled enterprises for the benefit of its members. There are about 800 million cooperative members in 91 countries worldwide (Mwaniki, 2006:7).

As a matter of fact, some authorities wrote that, from the stand point of the socialist theory, cooperatives have historically emerged from market failure, from producers' inability to market their crops efficiently, or struggles with monopolistic and exploitative intermediaries. Generally speaking the existence of a Cooperative as an alternative mechanism for purchasing and marketing helps to redress those market failures by introducing an element of cooperation and competition. Sometimes, as stated by Birchall (2003:25), some might use different names for cooperatives such as community self-help groups, farmer-owned businesses, and so on, but essentially as member-driven business organizations they are building blocks of development.

Often, cooperatives are an attractive option to many young people, particularly if they are unable to get the formal employment or do not wish to do so. As noted by ILO (2005b:81), the double nature of a cooperative as an enterprise and an association contributes to making them congenial workplaces for youth. In addition, the group solidarity in a cooperative reduces the risk that the individual must take to become an entrepreneur, and is a means of overcoming the problem of access to start-up capital required to start a business and that of securing collateral.

Furthermore, business incubators are in the form of cooperatives provide affordable workspace, shared facilities, counseling, training, and access to external networks for youth entrepreneurial groups, thereby helping promote venture creation (Finnegan, 1999:37).

Hence, cooperativeness is often a survival instinct of MSEs to try to combat inequitable distributions of market power. It can also be used to develop capital and market power of their own (Yunus, 1998). Therefore, as stated by Birchall (2003:69), if cooperatives did not exist, they would have to be invented for the sake of youth employability.

2.2.4 Opposing Views on the Role of MSE Sector

The role of MSEs to the creation of jobs and to the alleviation of poverty has increasingly been appreciated by many developing countries. However, despite their large numbers, MSEs are often seen as low-income activities that do not contribute to the economy.

While the broad magnitudes of MSEs structure are reasonably clear, there has been much less understanding of the process through which employment in MSEs grow. Many critics of MSE support argue that even though the sector is a significant employer, the jobs it offers is only parts of a survival economy not parts of a dynamic process of economic growth.

Mead (1994) classified these opposing views on the basis of the deriving forces leading to growth in employment. According to him for many individuals engagement in MSEs is a kind of survival activity to sustain them until something better comes along.

On the other hand, some authors argue on the role of this sector in unemployment reduction. According to Biggs (2002), MSEs are neither necessarily more nor innovative, job creating, supportive of worker welfare or environmentally friendly than larger enterprises. However, according to the ILO (2001:100), in developing countries large sector enterprises employ only a small fraction of the workforce. Thus, MSEs have great contribution for employment.

In Ethiopia also there seems to be negative attitude and positions towards MSE operators. Wolday and Gebrehiwot (2006:5) on their part state that although there are some positive developments taking place currently, they are still harassed and evicted from their premises on the pretext of “urban development”. The micro enterprise operators are disadvantaged through increasing unequal competition in markets on which they depend for survival. An additional barrier is the overarching mindset that entrepreneurship cannot be taught, that it is a creative way of thinking that comes inherently to some people and not to others.

However, according to Assefa (1997), MSEs, being labor intensive and capital saving, have great potential to absorb the growing number of unemployed and under-employed population. Hence, the important role of MSEs in economies like that of Ethiopia cannot be underestimated.

2.2.5 Financial and Non-Financial Service Facilitators for MSE

According to Finnegan (1999:2), MSEs require two types of services: financial services and non-financial services. Financial services help existing or would-be entrepreneurs acquire the means for establishing or expanding a business (e.g. production premises, and working capital). In this regard various established youth-based programs have significant values for MSEs. As stated by White and Kenyon (2002:8), effective enterprise development programmes for youth should focus on two aspects: First, they address areas of potential weakness or need. Second, they maximize potential and draw on the capacity of young men and women.

a) Federal Micro and Small Enterprise Development Agency (FeMESDA)

According to the National MSE Development Strategy, the role of the Federal Agency is to assist, encourage and support regional MSE development agencies. In particular, the Federal Agency focuses on the training of trainers, dissemination of developed prototypes, information and consultation, facilitation of services, marketing and maintaining technological databases to be used by regional MSE development agencies and other concerned institutions.

Furthermore, FeMSEDA mainly provides training and marketing services to potential and existing MSE operators. In the training aspect, it provides vocational and technical skills in various fields such as ceramics, bamboo, foundry, woodwork, handicraft and leather. It also provides business skills such as the GTZ's Competency based of Enterprises.

b) Regional Micro and Small Enterprises Development Agencies

Regional MSE Development Agencies were established to co-ordinate support services for the implementation of the Regional MSE Development Strategies. According to the National Strategy, the major role of ReMSEDA is to provide MSEs at Regional, Zonal and local levels with services in relation to business expansion and carrying out special actions on behalf of the government. Overall, it gives supports for MSE operators that enable them to create self reliance and the capacity to run their business for the future.

C) Bilateral/Donor Assisted Programmes in Ethiopia

i) GTZ-MSE Development Programme

One of the leading supporters of Ethiopian MSE sector is GTZ. This is a bilateral program with the German Government and implemented by GTZ. The major objective of the program is to support the promotion of MSEs by providing capacity building support to intermediary organizations such as FeMSEDA, ReMSEDA, Chambers of Commerce and private sector associations. Its services include: training in business and management skills; training of trainers; capacity building in terms of equipment and training materials; support in organizing exposure trips and study tours locally as well as abroad; providing expertise support at both local and international levels on undertaking studies; training; and also providing small amounts of direct financial support required to strengthen the technical support scheme that implemented on a step-by-step basis.

According to Zerihun (2004) the GTZ accounts for much of the impetus and resources behind BDS in recent years. For instance, an impact study conducted in 2004 looked at 45 businesses that had participated in BDS program found that 23 had subsequently increased their income and 12 hired new workers.

2.2.6 Constraints Facing the MSE Sector

In most developing countries, MSEs face a wide range of constraints and they are often unable to address the problems they face on their own even in effectively functioning market economies. Some researches, for instance UNCTAD (2005:8), tries to persuade about access to credit is not a major constraint for micro-enterprise at start-ups for youths because the majority of interventions directed at credit facilitation are in the area of microfinance. However, lack of access to medium or long-term credit is a major constraint for those enterprises that wish to expand their activities.

In addition, the obstacle to promote this valuable sector, as Fantahun (2003:16) clearly stated that, is the absence of an elaborate strategy that addresses the multifaceted problems of the MSEs in Ethiopia was one of the impediments to the promotion of the sector.

All in all, as noted by ADB (2006:19), MSE businesses constitute the largest segment of the private sector and are important sources of income and employment opportunities for a vast number of Ethiopians in major urban centers.

2.2.7 Specific Problems and Challenges of the MSE Sector

The economic growth of Ethiopia cannot be attempted without the active involvement of the MSE sector. However, in Ethiopia, formidable constraints militate against the sector's development which are structural in nature. As a result, as evidently stated by Mulat et al. (2005:70) the majority of operators have joined the MSEs for lack of better opportunity.

Furthermore, according to White and Kenyon (2002:23), young people in business often experience six common problems, namely:- (1) starting a business without enough funds (leading to under-capitalization); (2) managing cash flow, especially dealing with bad debts and late payments; (3) coping with stress, especially who understand the demands of self-employment; (4) employing the right staff and managing other people for the first time; (5) managing the expansion of the business; and (6) expanding their share of the market.

2.2.7.1 Lack of Access to Finance

Most owners of MSEs face great difficulties in accessing loans from banks which enable them to invest in new equipment that is more productive. The available micro credit schemes do not provide sufficient financial resources for this purpose (Finnegan, 1999:45). Similarly, MSEs tend to suffer from high input, transaction and investment costs. This is in part due to poor bargaining power and lack of collateral (Biggs, 2002).

Assefa (1997) has also stated that the most serious problem facing the MSE sector has been rising of investment capital and lack of credit access. Moreover, small-businesses have been always constrained by lack of capital for buying machinery and for the day to day running of the business. The financial institutions loan policies have not been conducive and attractive.

According to ADB/OECD (2005:229), the source of capital for MSEs is personal savings or borrowing from relatives or friends. Nevertheless, considerable progress has been made during the last two years in the provision of financing for MSEs through MFIs in Ethiopia.

2.2.7.2 Poor Access to Work Space and Land

Lack of premises and suitable locations are major problems for MSEs. Moreover, the transaction cost of securing premises is also a constraint for MSEs. Furthermore, the land lease promulgation, which has been effective in most urban areas have an impeding impact on MSE entrepreneurs who wish to start up a business (Andualem, 1997).

Lack of appropriate premises tends to force many youth entrepreneurs to operate their businesses unsuitable and sometimes unsanitary working conditions. Similarly, finding a secure place to work on well-located is a prerequisite of many youths who are establishing their own business. On the other hand, shared workspaces such as cooperative industry areas or business incubators are property developments accommodating the start-up and development of small nascent businesses.

Although, shared workspaces can be found in different forms in many countries, there appears to be few which addresses the needs of the young (White and Kenyon, 2002:22).

2.2.7.3 Shortage of Raw Materials

In Ethiopia, specifically MSEs have shortage of raw materials and it is the most important and pressing problem facing MSEs. According to the CSA (1995) report, the major obstacles were the irregular supply of raw materials and a shortage of suitable working premises.

Likewise, according to CSA (2003a), the major problems faced by small establishments include absence of market demand followed by lack of supply of raw materials.

2.2.7.4 Market Problem

Marketing problem is a serious constraint that hinders small enterprises' growth and their product diversification. Ledholm and Mead (1999) emphasized that the inability to develop new product types can be seen as a problem of markets for the products MSEs do make.

Irrespective of any other advantages or disadvantages that they might have, market failures disproportionately affect MSEs. According to Biggs (2002), such inequity deserves appropriate support. Therefore, governments, donors, and technical agencies have been trying to overcome constraints on MSEs to boost their employment creation and growth potential by applying various measures such as financial schemes, interventions to improve the business environment at local level and increasing access to Business Development Services (BDS).

2.2.7.5 Infrastructure Problem

The major reason why MSEs are concentrated in urban areas is because of the relative availability of infrastructure compared to rural areas. Water, electricity market and roads are vital inputs to small-scale industries. However, shortage of such infrastructure has been one of the major constraints to the development of the sector in many urban areas of the country.

Furthermore, according to the CSA (2003a) survey, the infrastructural facilities such as electricity and telephone; inadequate production and distribution; lack of information; and lack of proper policy and strategy for the development of the sector were the problems.

2.2.7.6 Lack of Information and Information System

MSEs essentially require information related to market raw materials, utilities, technology, business opportunities and information about government policies and regulation. For instance, according to his survey in Tigray Region, Desta (2002:3) stated that one of the problems of MSEs in the Region is infrastructure, information and technology.

The World Bank (2006:53) also stated that the Addis Labor Market Survey (ALMS) probed the MSEs constraint issues and found that about three-fourths of small business operators had never sought help in running their businesses. The majority said they did not know where to go for help. Likewise, most of the unemployed said that they were unaware of any government program in Addis Ababa that could help them to find a job or start a business.

2.2.7.7 Lack of Adequate Work Experience and Entrepreneurial Skill

In fact, lack of opportunities for work experience, whether it is through internships, apprenticeships, combined with the absence of vocational guidance and counseling aggravate the problem of getting a decent job for youth. This may be at the root of other problems. The World Bank (2006:54) report stated that lack of proper education and lack of experience were the major influential obstacles to youth respondents in the Addis Labor Survey in 2006.

According to Sievers et al. (2003:19), lack of managerial skills and marketing knowledge as to how to access them are the major problems in MSEs. Though, a lack in entrepreneurship, which is partly due to traditional values, for MSEs is considered to be the most constraint on MSE development (ADB/OECD, 2005:230). For instance, lack of adequate skills is one of the seven major problems revealed on the national survey by CSA in 2002 in Ethiopia.

2.2.7.8 Inadequate Consultancy and Advisory Services

In competitive and constantly changing business environment, every business requires technical know how. In this regard, consultancy services, whether NGO or governmental, can be seen as tools to enable entrepreneurs to diagnose their business. In addition, coordination among the various facilitators in the provision of the MSE sector is also essential.

However, as noted by Zewde and Associates (2002), although there was established FeMSEDA at the national level and ReMSEDA in some of the regional states, there is lack of coordination among the various actors in the provision of BDS to MSEs in the country.

2.2.7.9 Technological Problem

The technological problem also has another dimension. Assefa (1997) noticeably stated that technological development is very low in the country. As a result, most of the small-scale enterprises use obsolete technologies of production. Moreover, the technology used by small-scale enterprises is out dated, unhygienic and inflexible.

In addition, the issue of accepting appropriate technology has been a serious problem of MSEs in Ethiopia. Twenty percent of the small scale manufacturing enterprises among the entrepreneurs approached by the CSA survey (2002) on small scale industries reported that frequent machinery failure to be their major reason for not being fully operational.

2.2.7.10 Legal and Regulatory Environment

In order to improve formality and on the way to reduce informality improving legal system is mandatory. According to Sievers et al. (2003:19), often registration procedures are complex and burdensome for MSEs as well as the tax systems are complicated. Likewise, the CSA's survey result in 2002 revealed that of the total establishments approached, some owners reported that government regulations were obstacles for starting their business operations.

2.2.8 MSEs in Addis Ababa

Addis Ababa, which is on the way to be the capital of Africa in the coming Ethiopian millennium, is head of political, economical and the sit of the Federal Government of Ethiopia. In the city MSEs play a very important role for the economy and its dwellers. According to the city's government 2005 plan, 60 percent of its dwellers depend on the informal sector; whereas 100,000 dwellers of the city earn their livelihood from MSEs.

The Addis Ababa Region MSE strategy paper highlighted three main issues which cover the role, the constraints and the situation of MSEs. The strategy gives also a short description of the tasks of sub city institutions, which are responsible for the provision of MSEs.

Since 2002 MSEs promotion initiate by establishing the Addis Ababa MSE department in sub city level with the aim to create enabling environment of the private sector and self-employment. According to the 1996 Trade and Industry Bureau's city business plan for MSEs, there were about 127,000 MSEs in Addis Ababa. This indicates that most of the business activities in the city depend mainly on these enterprises.

Cognizant of the multiple role of the sector, the city's administration has tried to identify the constraints and offer various services. The World Bank (2006:76) report stated that the AAReMSEDA, for example, provides a one-stop shop for entrepreneurs, offering training, microfinance, assistance with registering and accessing work places and equipment. Thus, so far it has served about 200,000 clients and created 150,000 jobs. Furthermore, the report stated that an analysis of the employment creation impact of Addis Ababa Integrated Housing Program, which integrates employment creation through support of MSEs in construction.

Brehanu et al., (2005:30) stated that the MSE Development Agency in the city have undertaken market support, BDS, training and counseling support for MSEs. The results of the support provided to MSEs are encouraging. For instance, among all six regions, a total of 72,577 new jobs were created in MSEs, nearly 63 percent in Addis Ababa. Support was provided to a total of 32,872 existing jobs to ensure their sustainability. However, the data do not reveal the age distribution of the employed. But, as the program particularly targets youths, it is to be expected that youths have been one of the prime beneficiaries.

However, as the same authors also stated that the problem of working space constrains the performance of most MSEs. For this reason, the all Regional States including Addis Ababa have prepared and arranged working spaces for a number of enterprises during the same period. In total, the six Regions have supplied 1,045,717 m² of working space to MSEs and more than 62,417 operators of MSEs have benefited from such arrangements.

On the other hand, as stated by the World Bank (2006:77) that with the new urban land lease proclamation issued in 2002, it was expected significant changes. However, recent studies indicate that the volume of informal land transaction is high. While targeted interventions via AAReMSEDA that aim to help entrepreneurs find working premises is a best solution.

2.3 Education and Training for Youth Skill Development

Today's young people are the best-educated and trained generation ever. In terms of employment, the expected inflow of young people into the labor market, rather than being viewed as a problem, should be recognized as presenting an enormous potential for economic and social development.

Juan Somavia, Director-General, ILO, interviewed by the Financial Times, 23 January 2004

Education and training are essential requirements of a strategy to promote employability. They give to the youth an opportunity to take advantage of job opportunities and income earning possibilities. However, it is important to identify vital training areas as well as necessary skills that enable to bring about economic progress of a nation (MOE, 2003:21). Hence, employability is not only a function of training but it also requires a range of other instruments such as the enhancement of quality jobs and sustainable employment (ILO, 2001:22).

Training may mean a number of things. It may refer to technical, and vocational training for school leavers. Training may also concern people who have worked all their lives. Some training programs link directly with the informal labor force, while others constitute indirect routes to informal sector employment and self-employment (Mulat and Wolday, 2000).

Cognizant of developing young people's employability is central, education uses to ensure their successful transition to the labor market. A note by IOE (2005:3) shows that youth need to acquire the skills, knowledge, competencies and attitudes that will allow them to find work and to cope with unpredictable labor market situations. For that reason, education is perhaps the most effective mechanism to improve employment prospects.

In Ethiopia, like in many other least developed countries, education was considered as the most profitable form of investment in human capital (Zaudneh, 1994:7). Also Tekeste (1990:86) stated that education to be an investment in human capital, it must in the first place be to have comfortable work environment where most of those graduates have some opportunities to put forth what they have in practice. Similarly, according to the ILO, the benefit of education declared as follows.

Education, training and lifelong learning contribute significantly to promoting the interests of individuals, enterprises, the economy and society as a whole, especially considering the critical challenge of attaining full employment (ILO, 2005b:84).

Derebessa (1997) explained that a basic assumption about education and its link with development strategies is its role in creating a skilled and viable workforce. However, if it is failed to do so the probable consequences will be, as noted by Getachew (2002:10), generally devoid of practical skills needed by school graduates in the work place.

Regarding the role of education for decent employment for the young generation, Sziraczki and Reerink (2005:9) on their part stated that education is not only the starting point for the school-to-work transition but also it can influence the age when young people enter the labor force, the extent to which they are prepared for work they obtain for their future career.

As confirmed by ILO (2005a), there is a higher number of youth who are in education today than during the past generation. Perversely, in many developing countries youth unemployment can be higher for the more educated youth. This mismatch appears to be the result of education systems not meeting the needs of the labor market and, partly, to the attitude of those at the highest end (IOE, 2005:4). Thus, as Blaug (1973) argued that education is definitely responsible for one of the problems of structural imbalance that of matching employment opportunities and expectations.

2.3.1 Role of TVET for Employment

TVET can provide an opportunity to acquire a basic skill and knowledge to an individual who had or had no basic education to join the world of the work: be it in the formal or informal sectors of the economy (Askale, 2005:25).

In this consideration, many underdeveloped countries have regarded TVETs as a major means of strengthening their human resource development that enable them to meet the demand of public and non-public institution (MOE, 2003:3). Moreover, in her research about poverty reduction through TVET in Nigeria, Nwagwu (2005:2) stated that one possible avenue to poverty reduction is through vocational education. However, the productive value of TVETs can be put into effect only where employment opportunities are available and market conditions are conducive.

On the other hand, Carnoy (1977) argued that the secondary education, TVET and higher education provision is not social demand as that of the primary education. They are rather perceived as the key element in the contribution of education to economic growth.

However, as Zaudneh (1994:36) stated that, there is a common understanding that education in general and training in particular accelerates economic growth that working as a promoter of both the formal and non-formal training sectors.

Similarly, as stated by Atchoarena and Esquieu (2002), no country can give up on training young people as their technical skills are needed to increase productivity in both formal and informal sectors and to contribute to economic growth. Contrary to this, in some SSA countries, for example, in Eritrea there are 89,000 pupils in public secondary education system, however, of which only 674 are in technical schools.

As stated by Axmann (2004:vii), governments that aim to introduce a vocational training system have to develop a common understanding of all partners to support such a system.

Although, there is an extensive and diversified TVET system is underway both at the Federal and Regional levels in Ethiopia, self-employment and demand driven approach have been paid attention by the TVET strategies (MOE, 2003). In this view, the Education and Training Policy (TGE, 1994) articulates that the necessity of TVET is for the requirement of middle level workforce. Moreover, as clearly stated by Mulat et al. (2005:92), it is important to aggressively promote TVET not only for the MSE sector but also for middle level activities.

In this regard, TVET in Ethiopia has been fragmented and delivered by different providers as various levels. As stated in the National TVET Strategy Discussion Paper (2006:7), public and private institutions concentrating on middle level at post grade 10 levels. Meanwhile, in non-formal TVET programs, public institutions, NGOs, and private schools offer employment-oriented training to various groups including school leavers.

Currently, both public and non-public agencies provide short and long-term technical and vocational training, using formal and non-formal approaches. First, there are higher education institutions, which train top-level professional and technical personnel. Second, a number of technical and vocational training schools, institutes, and colleges train personnel at the middle and lower occupational levels. Third, training centers attached to public and parastatal agencies provide training to meet primarily their own internal manpower needs. Fourth, informal on-the job apprentice training takes place in non-farming occupations at work' places. However, the non-formal training constitutes another important and yet entirely seems un-researched area.

2.3.2 Role of Non-formal TVET for Employment

Training covers vocational, technical, managerial, entrepreneurial, social and other useful skills. In short, training could be divided into: (a) formal training, which refers to the "hierarchically" structured and chronologically graded educational system; and (b) non-formal training which refers to a varied assortment of organized and semi-organized educational activities operating outside the regular structure of the formal system. The latter is aimed at serving the needs of different subgroups (Coombs, 1974 cited in Mulat and Wolday, 2000).

In addition, Zaudneh (1994:6) on his part broadly stated that non-formal training may be directed to people who never went to any school, school dropouts and school-leavers for whom there was no room at the next level, graduates who never obtained the job they hoped for, women solely responsible for feeding their family but never trained because men were supposed to do the earning, peasants pushed off their land, workers replaced by machines or redundant civil servants, handicapped people, refugees and so on. However, the informal training for self-employment, unlike the formal training for wage-employment in the formal sector, is characterized by its intimate relationship with production, and its delivery of immediate outcomes.

Training offering towards inquiry into instant world of work enables trainees to appreciate their work skills. However, many young people, particularly in developing countries, are training in skills for which there is little or no demand. In her research, Nwagwu (2005:1) noted that well-articulated TVET policy and programs will assist in employment generations and poverty reduction. As a result, TVET, even though it prepares individuals for gainful employment, it has had little or no positive impact on the poverty status of Nigerians. Therefore, graduates of vocational schools undergo further training before they are employed in industries or companies.

Various government reports most of the time declared that the expectation from training only could not be able to create competent graduates. As the Education Sector Strategy Program (ESDP) III outlined in its analysis that TVET graduates are currently not meeting the expectations and demands of economic sectors. Therefore, as the strategy paper advocates, a consistent system including formal and non-formal initial and further training is vital (ESDP III, 2005:11).

Moreover, the educational system in Ethiopia is heavily biased in favor of the formal sector, appropriating the entire budget or leaving virtually nothing for non-formal educational training. According to Mulat and Wolday (2000), formal training institutions usually suffer from poor quality of education and reach only few people. Different types of training methods are needed to train people cost-effectively in a wide spectrum of skills and to offer incentives for self-employment, and these have been lacking. It should also be noted that NGOs can provide training and other services, but have so far done so on a relatively limited scale. They may also suffer from a tendency to put more emphasis on "welfare" than on "business".

On the other hand, the current education policy introduces a separate TVET system parallel to the academic stream. Hence, there are three levels of training programs that are indicated in the policy for those who want to join the TVET system from different entrance points, namely the basic, the junior and middle level TVET programs. In addition, the existing education system envisages the provision of extensive training (lasting 6 months up to 1 year).

However, the current situation seems like the basic and the junior levels are not yet acknowledged. In the absence of such consideration, no TVET could play much to the country's development because expansion and diversification of TVETs cannot be an end in itself (Wanna, 1992:41).

2.3.3 Youth Employment and TVET Linkage

Training hoped to enable individuals to join the world of work. However, as stated by Axmann (2004:6), training alone never creates jobs. When it comes to demand-related issues of training, there is almost always an interesting case of inter-dependence between supply and demand. Normally, one would argue that levels of unemployment cannot be remedied by improving supply. Providing youngsters with "employable skills" when no work is available is both economically and socially unproductive. What is really important is the development of industry-specific training for employment programs, because there is often a shortage of appropriate skilled manpower existed.

Derebssa (1997:10) clarified that in many developing countries, the problem of unemployment is different, more complex and more critical in the high proportion of educated young people involved. Although the economy is fairly increasing it is not open up enough to absorb them.

In this regard, the World Bank (2006:78) report stated that the most visible government efforts to improve youth employability lies in the creation of TVET program in Ethiopia. Regarding the efficiency of TVET in Ethiopia a pilot tracer study of TVET is currently underway to determine if the new system is effective.

It is fact that employment and productivity are important economic and social indicators of efficient TVETs (MOE, 2003). However, the graduates of vocational schools are not sure of their employment destination (Nwagwu, 2005:4). Therefore, close connection of training to such themes is undeniable and stems from its original mission preparing persons for the work. Based on that mission, there is then, at least in theory, a 'matching up' of what a job requires and those that vocational training delivers or passes on.

On one hand, the lack of appropriate manpower planning, on the other hand, qualified trainers, vocational counseling and well equipped workshops are the major factors that contributed for under efficiency of TVETs (Psachropoulos, 1987:325). As an effect of this 'matching up' process, as an answer has been sought in vocational training to the problem of unemployment.

On the other hand, if the rate of development of the economy is insufficient to absorb the graduates of massively expanded educational system, the employment situation will become desperation. Specifically graduates cannot create employment for them (Foster, 1966:147).

As also clearly stated by Getachew (2002:1), although, there were several factors which caused unemployment in Ethiopia, the young graduate workers from vocational schools have far exceeded the available job opportunities in the formal modern sectors. Yet, the modern sector has continued to attract job seekers in greater numbers that demanded high wages.

According to MOE (2003), the TVET program in Ethiopia is currently undergoing a major reform process. Moreover, the program is aiming at creating a TVET system to be wage /self/ employment oriented, demand driven and appropriate to the development needs of the Ethiopian economy. However, in this search the fact is often overlooked that training can only directly adapt its methods to a productive, technological and labor reality (ILO, 2001:37).

Therefore, linkages between educational institutions and enterprises, then, allow graduates to explore the opportunities of self-employment through the practical and direct involvement of local businesses is unquestionable.

2.3.4 Labor Market Information (LMI) for Youth Employment

Labor market information is something that many young people need in particular and at the same time have less access to get the turning point of their life in order to decide and establish their successful business. For example, as stated by IOE (2005:7), in the sphere of training, young job seekers do not know: What are the most profitable skills to acquire? What are the sectors that are likely to grow in the coming decade? What are the sectors that could come under pressure in the coming years? The answers to these questions are essential in helping young people make choices for the future.

In some developing countries Like Ethiopia, there existed too many unemployed school leavers with out appropriate skills. Nevertheless, there is severe shortage of skilled labor force which necessitates government officials to import appropriately trained work force from abroad (Derebssa, 1997:11). This variance shows that there is a lack of LMI in the country.

In Ethiopia, the Ministry of Labor and Social Affairs (MOLSA) is responsible for registration of job seekers and vacancies. It also recruits candidates to employers. In addition, the Ministry maintains data on employment and industrial relations. However, labor market information is scarce, and moreover is not available to all job seekers (Brehanu et al., 2005:34).

According to the World Bank (2006:53) report about the Ethiopian case suggests that the performance of Ethiopia's urban labor markets has been disappointing and employment services are probably not a good tool for reaching the unemployed. Moreover, open unemployment has been persistently very high and average duration is long to have a job. Consequently, for 2.4 million urban youth employment rates, in 2004, stood at only 42 percent that is more than half of youth at work in the informal sector. In addition, frequently MOLSA's data suggested that there is a mismatch between the registered jobseekers and the posted jobs. Therefore, as stated by Axmann (2004:4), new approach should be established, if the system is unable to meet the required goal.

All in all, as ILO (2005b:22) clearly stated that LMI and counseling can play an important role in providing the efficiency of the labor market. Such targeted career guidance assists young people to overcome their limited experience. However, young people frequently lack adequate information, guidance and counseling about labor market opportunities.

2.3.5 Guidance and Counseling for Youth Employment

In order to fit their future job, apprenticeship, counseling and guidance is mandatory for trainees. As stated by Ziderman (2003:148), Apprenticeship Training is a key method for employment. Moreover, counseling and guidance for school leavers and first-time job seekers are important in order to make informed decisions (Sziraczki and Reerink, 2005:52). In addition, good counseling and guidance services could play an important role in encouraging disadvantaged youth to embark their subjects. However, most youth do not get vocational guidance (Brewer, 2004:22).

In relation to counseling and guidance, apprenticeships are not only can be seen as initial time preparations that last for occupational life but also as bridges to further life-long learning. Brehanu et al. (2005:35) stated the success of the TVET program will partly depends on the extent to which the graduates be adequately counseled regarding the labor market.

In many educational institutions, the value of career counseling and vocational guidance has played an important part in the self-employment promotion. In their study, Wolday and Gebrehiwot (2006:i) revealed that MSE operators had very limited vocational and technical training or received few short-term training and counseling services before starting a business.

All in all, the implication is that, as Brehanu et al. (2005:34) explained that unless the economy concomitantly expands to absorb the increasing number of young graduates, young educated unemployment could prevail as a new feature of the youth labor market in Ethiopia.

CHAPTER THREE

PRESENTATION AND ANALYSIS OF DATA

This chapter deals with the analysis and interpretation of the data gathered from the sample respondents. Relevant data and information collected through two categories of questionnaires were presented and analyzed. Of the two categories of questionnaires, the first category was employed to formal and non-formal TVET graduate respondents who are operators of MSEs. The second category was employed to gather information from MSE facilitators such as the Regional, Sub-City, and Kebele MSE officers.

Out of the total 113 questionnaires distributed, 102 (90.3 percent) were filled and returned. Accordingly, responses of four Regional MSE officers, eight Sub-City MSE officers, eight Kebele MSE officers, fifty-two formal and thirty non-formal TVET graduates of MSE operators are presented and analyzed using tables and statistical tools by using the latest SPSS Version 15.0 for Windows. Hence, based on the responses obtained from the sample respondents, frequency, percentage, t-test, chi-square and spearman rank order correlation coefficient are employed. Interpretation and analysis are made based on the basic questions raised in chapter one of the study.

3.1 Characteristics of Respondents

This section is concerned with the description of the personal backgrounds of the sample respondents. It provides data on sex distribution, age structure, educational level, marital status, type of industry and list of the Cooperative Industry Areas (CIAs). Therefore, it is believed that the responses and other relevant data are organized and analyzed in order to determine the outcome of the study.

TABLE 2: Respondents by Sex, Age, Address and Marital status

No.	Variables	MSE Facilitators		Formal TVET Graduates		Non-formal TVET Graduates		Total	
		Count	%	Count	%	Count	%	Count	%
1	Sex:								
	Male	18	90	49	94.2	28	93.3	95	93.2
	Female	2	10	3	5.8	2	6.7	7	6.8
	Total	20	100.0	52	100.0	30	100.0	102	100.0
2	Age:								
	15-24	-	-	3	5.8	16	57.5	19	18.7
	25-29	10	50	46	88.4	11	36.7	67	65.7
	Above 30	10	50	3	5.8	3	5.8	16	15.6
	Total	20	100.0	52	100.0	30	100.0	102	100.0
3	Address:								
	Arada Sub City	-	-	23	44.2	12	40.0	35	42.7
	Gulele Sub City	-	-	8	15.4	13	43.3	21	25.7
	Lideta Sub City	-	-	10	19.2	4	13.3	14	17.0
	Kolfe Sub City	-	-	11	21.2	1	3.3	12	14.6
	Total	-	-	52	100.0	30	100.0	82	100.0
4	Marital status:								
	Married	-	-	9	17.3	3	10.0	12	14.6
	Unmarried	-	-	43	82.7	27	90.0	70	85.4
	Total	-	-	52	100.0	30	100.0	82	100.0

The symbol (%) indicates **Percentage** in all Tables

As indicated on item 1 of Table 2, the proportion of female MSE facilitators, formal and non-formal TVET graduates were 10.0 percent, 5.8 percent and 6.7 percent respectively. On the other hand, 90.0 percent from MSE facilitators, 94.2 percent from formal and 93.3 percent from non-formal TVET graduates were found to be males. Thus, the responses of the subject in this study have represented predominantly males' idea. It also indicates that females' involvement in both MSE facilitation positions and MSE business operation is insignificant. Possible explanation, this may have an adverse effect for larger number of female TVET graduates to be inspired by their role models in MSE business.

As can be seen on item 2 of the same Table, more than 50.0 percent of the MSE facilitators are aged 25 and above, whereas more than 94.2 percent of formal TVET graduates and 94.2 percent of non-formal TVET graduates are 29 and below. From the table one can understand that most of the TVET graduate respondents are young enough, since they are found in the youth age group, it is possible to deduce that the majority of young TVET graduates (both types) are engaged in MSE business. The data seem to be representative of those who are expected to be in their active age in production and involvement in establishing MSEs.

Regarding their address, both types of TVET graduates were under the study Sub-Cities; that is, 84.2 percent from Arada, 58.7 percent from Gulele, 32.5 percent from Lideta and 24.5 percent from Kolfe Keranio Sub-Cities. This asserts that the majority of both TVET graduates did attain in their CIAs under their respective sub cities.

The marital status of the sample shows that 82.7 percent of formal TVET graduates and 90.0 percent of non-formal TVET graduates were unmarried while only 17.3 percent and 10.0 percent were married respectively. This might show that young people who were attempting to create self-employment were mostly unmarried.

TABLE 3: Description of Respondents by their Type of Industry, Field of Study and List of the Cooperative Industry Areas (CIAs)

No.	Items	Formal TVET Graduates		Non-formal TVET Graduates	
		Count	%	Count	%
1	List of the CIAs:				
	Ras Emeru	8	15.4	8	26.7
	Lideta	11	21.2	4	13.3
	Filipose	10	19.2	1	3.3
	Menen	8	15.4	13	43.3
	Gurarra	15	28.8	4	13.3
	Total	52	100.0	30	100.0
2	Respondents by their type of industry:				
	Building Construction	17	32.7	2	6.7
	Metal and Wood work	35	67.3	28	93.3
	Others	0	0	0	0
	Total	52	100.0	30	100.0
3	Field of study:				
	Metal and Wood work	17	32.7	7	23.3
	Building Construction	11	21.2	12	40.0
	General Mechanics	4	7.7	1	3.3
	Auto mechanics	1	1.9	0	0
	Plumber	0	0	1	3.3
	Accounting	3	5.8	0	0
	Computer	0	0	2	6.7
	Surveying /Drafting	2	3.8	0	0
	Electricity/Electronics	3	5.8	1	3.3
	Others	11	21.2	6	20.0
Total	52	100.0	30	100.0	

As indicated on item 1 of Table 3, the proportion of both TVET graduates according to their respective CIAs were 19.6 percent from Ras Emeru, 18.3 percent from Lideta, 13.4 percent from Filipose, 23.2 percent from Gurara, 25.6 percent from Menen. Concerning their type of industry, as depicted on item 2 of the same table, 32.7 percent of formal TVET graduates and 6.7 percent of non-formal TVET graduates were engaged in building construction sector, whereas 67.3 percent and 93.3 percent were engaged in metal and woodwork sector respectively. This signifies that almost all CIAs in Addis Ababa city are confined by the sectors of building construction, metal and woodwork enterprises. This indicates that the data represents the ideas of all those MSE operators who graduated from TVET.

Regarding fields of studies of both TVET graduates, Construction Technology (Building Construction, Metal Work, Drafting, Surveying and Wood Work) constituted the significant proportion followed by Industrial Technology (Auto Mechanics, Electricity, Electronics, and General Mechanics) and Business streams (Accounting and the like). The proportions were 57.7 percent, 15.4 percent and 5.8 percent for formal TVET graduates, and 63.3 percent, 6.6 percent and 6.7 percent for non-formal TVET graduates respectively.

This finding is consistent with the type of industry as depicted in item 2 of the same table that signifies the number of TVET graduates in the CIAs have been doing their MSE business because of the majority of the industry areas were reserved for construction, metal and woodwork sectors. On the other hand, very small proportions of shades in the CIAs were also reserved by food processing MSEs and the like. However, the other types of MSEs in the CIAs are beyond the scope of this research. Accordingly, this finding was also consistent with the information that the researcher obtained through observation in the industry areas.

3.2 Vocational Background of the Respondents

Training may mean a number of things. It may refer to formal, technical, and vocational training for school leavers. Training may also concern people who have worked all their lives. Some trainings link directly with the informal labor force, while others constitute indirect routes to informal sector employment and self-employment (Mulat and Wolday, 2000).

In this respect, the vocational background of the sampled respondents related to the area currently working was described based on the responses obtained on the following table.

TABLE 4 : Similarity of the Training to their Current Job of the Respondents

No.	Items	Formal TVET Graduates		Non-formal TVET Graduates	
		Count	%	Count	%
1	Is there any similarity of the training to your job?				
	A. Yes	13	25.0	7	23.3
	B. A little	14	26.9	12	40.0
	C. No	25	48.1	11	36.7
	Total	52	100.0	30	100.0
2	Have you been trained with appropriate skills to carryout your present job?				
	A. Yes	38	73.1	20	66.7
	B. No	14	26.9	10	33.3
	Total	52	100.0	30	100.0
3	Did you get guidance and counseling service while you were in your TVET institution?				
	A. Yes	18	34.6	8	26.7
	B. No	34	65.4	22	73.3
	Total	52	100.0	30	100.0
4	Have you joined in apprenticeship program before or after you graduated?				
	A. Yes	34	65.4	0	0
	B. No	18	34.6	30	100.0
	Total	52	100.0	30	100.0

As can be observed on item 1 of Table 4, only 25.0 percent of the formal and 23.3 percent of the non-formal TVET graduate respondents provided their responses that their current job was similar with their field of studies. Contradictory to this, 75.0 percent of the formal and 76.7 percent of the non-formal TVET graduate respondents answered that their present job was completely different and a little bit similar from the training areas that they trained for. This verifies that the vocational trainings in both formal and non-formal training schools progress did not consider the demand of labor market and the trainees themselves. Furthermore, this finding is consistent with IOE (2005:4), which is briefly described in the literature review. In many developing countries, youth unemployment can be higher for the more educated youth. This mismatch appears to be the result of the education systems not meeting the needs of the labor market and, partly, to the attitude of those at the highest end.

On the other hand, respondents were asked to indicate whether or not they got appropriate training to carry out their present job. In this respect, as depicted in item 2 of the same table, 73.1 percent of the formal and 66.7 percent of the non-formal TVET graduate respondents replied that they have been trained with appropriate skills to carryout their present job. In

connection to this issue, only 2 out of 52 the formal TVET graduates and none of the non-formal TVET graduate respondents confirmed that they are currently attending further training to attain vital skills and knowledge in order to fulfill their present job.

As a matter of fact, it is safe to state that their current education and training might help them to fulfill their skill gap. Moreover, the Education Sector Development Program III outline that TVET graduates are currently not meeting the expectations and demands of economic sectors. Therefore, as the program advocates, a consistent system including formal and non-formal initial and further training is vital (ESDP III, 2005:11).

On item 3 of Table 4, respondents were also asked to indicate that whether they got guidance and counseling service while they were in their TVET institutions. To this end, only 22.0 percent of the formal and 9.8 percent of the non-formal TVET graduate respondents replied that they got guidance and counseling service. Contrary to this, 41.5 percent of the formal and 26.8 percent of the non-formal TVET graduate respondents answered that they did not obtained such a service while they were in their respective TVET institutions. From this finding, it is safe to state that, as Brewer (2004) revealed it, good counseling and guidance services could play an important role in encouraging disadvantaged youth to embark on their subjects. However, most youth do not get vocational guidance and counseling.

In connection to this, on item 4 of the same Table, respondents were also asked to specify whether they joined in apprenticeship program before or after they graduated. Accordingly, no one of non-formal TVET graduate joined in apprenticeship program whereas, 41.5 percent of formal TVET graduates responded that they joined in apprenticeship program. Overall, from the finding it is possible to deduce that relatively in non-formal TVET institutions the apprenticeship program was not practiced properly. This implies that all the resources (financial, human, material and time resources) allocated for non-formal training were absolutely wasted if improper apprenticeship was conducted for both types of TVET graduates. In addition, these graduates in order to fit their current job, apprenticeship is mandatory, as the assumption provided in the literature part of this study by Ziderman (2003:148), Apprenticeship Training is a key method for employment.

3.3 Descriptions Related to Self-employment

TABLE 5 : Respondents' Account as Self-employed or Unemployed

No.	Items	Formal TVET Graduates		Non-formal TVET Graduates	
		Count	%	Count	%
1	Were you self-employed before engaged into CIAs?				
	A. Yes	10	19.2	6	20.0
	B. No	42	80.8	24	80.0
	Total	52	100.0	30	100.0
2	If your answer is "Yes", what was the major source of income to start your previous business?				
	A. Micro financial institutions (banks)	1	10.0	0	0
	B. Selling household furniture	0	0	0	0
	C. From your previous saving	3	30.0	1	16.7
	D. Rent part of house	0	0	0	0
	E. Support from relatives	6	60.0	5	83.3
	F. Support from NGO or government	0	0	0	0
	G. Others specify	0	0	0	0
	Total	10	100.0	6	100.0

As indicated on Table 5 of item 1, of the total respondents those who were self-employed before engaged into CIAs accounted for 19.2 percent of the formal and 20.0 the non-formal TVET graduates. However, as the finding revealed it, the majority of the formal and non-formal TVET graduate respondents were not self-employed. That constitutes 80.8 percent and 80.0 percent respectively. This finding is consistent with according to Derebssa (1997:9) explained straightforwardly by comparing among nations that in many developing countries, attention is being focused on widespread and growing unemployment among young people, most of whom have attended schools varying lengths of time and cannot find works which match their aspirations or their potential abilities.

Moreover, those respondents who established their own business were asked to indicate the major source of income at the time of start-up. To this end, as shown on item 2 of the same Table, support from relatives constituted the significant proportion followed by from their saving; the proportions were 60.0 percent and 30.0 percent for formal TVET graduates, and 83.3 percent and 16.7 percent for non-formal TVET graduates respectively. This finding is consistent with Finnegan (1999:4) and ADB/OECD (2005:229) stated that the main source of capital for own enterprise start-up is personal savings or borrowing from relatives and friends.

TABLE 6: Determinants of Self-employment of TVET Graduates

No.	Determinants of Self-employment	Formal TVET Graduates (N=52)		Non-formal TVET Graduates (N=30)		t-calculated	p-value
		Mean	SD	Mean	SD		
a	Lack of loan facilities (poor access to credit)	2.21	.667	2.17	.379	.338	$P > \alpha$
b	Insufficient skills and knowledge	4.50	1.038	4.57	.504	-.329	$P > \alpha$
c	Absence of job opportunities in your locality	1.67	.474	1.87	.346	-1.95	$P > \alpha$
d	Lack of working premises	1.15	.364	1.00	.000	2.307	$P > \alpha$
e	Biased what to do (lack of awareness)	3.90	1.718	4.80	.407	-2.80**	$P < \alpha$
f	Lack of work experience	4.04	.862	4.73	.521	-4.00**	$P < \alpha$
g	Lack of capital to start business	1.25	.437	1.53	.507	-2.66**	$P < \alpha$
h	High market competition	3.48	.939	3.43	.568	.251	$P > \alpha$
i	Discouraging local market conditions	2.21	.667	2.17	.379	.338	$P > \alpha$
j	High level of Taxes	1.44	.502	1.67	.479	-1.98	$P > \alpha$
k	(Electric, water, telephone)	3.44	.752	4.03	.556	-3.75**	$P < \alpha$
l	Availability of insufficient raw material	3.00	.863	3.43	.728	-2.31	$P > \alpha$
m	Getting registration is tedious	4.56	.916	4.80	.484	-1.34	$P > \alpha$
n	Government policy towards self-employment	4.46	1.146	4.73	.640	-1.19	$P > \alpha$
o	Society attitude towards self-employment	4.35	1.027	4.53	.776	-.865	$P > \alpha$
p	Lack of managerial experience(Entrepreneurship)	3.75	1.203	4.73	.521	-4.24**	$P < \alpha$
q	Uncertainty about the economy	1.92	.436	2.00	.643	-.644	$P > \alpha$
r	Crime, corruption and theft	4.33	1.133	4.53	.507	-.943	$P > \alpha$
s	Political instability	3.48	.852	3.43	.568	.272	$P > \alpha$

(** Significant at $\alpha = 0.01$)

Choices about job and careers are rarely freely made. They are enabled and constrained by numerous factors (Rolfe and Nadeem, 2007:1). In this regard, youths could mention many specific problems that they face in their day-to-day lives.

As can be seen on Table 6, the results of t-test on the major determinant factors of self-employment show that there was no statistically significant difference between the formal and non-formal TVET graduates at an alpha less than 0.01 level for all items except e, f, g, k and p. This indicates that there was no different perception on the major determinant factors of self-employment between the respondents.

However, for the remaining items of e, f, g, k and p, there was statistically significant difference between the formal and non-formal TVET graduates at an alpha less than 0.01 level. Furthermore, when this difference was examined, each mean value of items e, f, g, k and p were greater in the non-formal TVET graduates than in the formal TVET graduates.

Therefore, from the aforementioned discussion, the two groups (both TVET graduates) have only some significant degree of correlation in their evaluation of the determinant factors to start a business as self-employed. Furthermore, one of the results is completely contrary to the explanation provided in the literature by UNCTAD (2005:8) which stated that access to credit is not a major constraint for youth's business at start-ups.

3.4 Descriptions Related to (Un)employment

TABLE 7 : Respondents' Employment Background

No.	Items	Formal TVET Graduates		Non-formal TVET Graduates	
		Count	%	Count	%
1	Did you get wage employment after your graduation?				
	A. Yes	19	36.5	12	40.0
	B. No	33	63.5	18	60.0
	Total	52	100.0	30	100.0
2	Were you ready to work other than in government organizations?				
	A. Yes	50	96.2	28	93.3
	B. No	2	3.8	2	6.7
	Total	52	100.0	30	100.0
3	For how long were you unemployed after graduation?				
	A. Less than 3 months	9	17.3	4	13.3
	B. Between 4-6 months	9	17.3	6	20.0
	C. Between 7-12 months	3	5.8	4	13.3
	D. Greater than 12 months	21	40.4	11	36.7
	E. Not unemployed	10	19.2	5	16.7
	Total	52	100.0	30	100.0
4	Were you registered as a job seeker for vacancies?				
	A. Yes	16	30.7	10	33.4
	B. No	36	69.3	20	66.6
	Total	52	100.0	30	100.0

The purpose of TVET is to prepare human beings to the world of work. Cognizant of this, the training program also can be evaluated by the placement of its graduates to get job.

As presented on item 1 of Table 7, 63.5 percent of the formal and 60.0 percent of non-formal TVET graduates replied that they didn't get wage employment after graduation. This implies that the objective stated by the TVET strategy becomes dubious regarding employment. As clearly put in the literature review, self-employment and demand driven approach have been paid attention by the TVET strategies (MOE, 2003:3). However, in the absence of such consideration, no TVET could play much to the country's development because expansion and diversification of TVETs cannot be an end in itself (Wanna, 1992:41).

On the other hand, as illustrated in same Table of item 2, respondents were also asked to specify their readiness to be engaged in organizations other than government while they are searching a job after graduation. Accordingly, 96.2 percent of the formal and 93.3 percent of the non-formal TVET graduates replied that they were eager to be involved in organizations other than government ones. It is possible to deduce from this finding that there was some kind of attitudinal change in both TVET graduates that they are not expecting government employment. Contrary to this, only 3.8 percent of the formal and 6.7 percent of the non-formal TVET graduates were never ready to work in government related jobs. This finding is also consistent to what Mulat and Wolday (2000) stated in the literature review that trainees with diplomas were more interested in pursuing white-collar employment.

As far as the status of unemployment of respondents is concerned, the status of both TVET graduates before engaging in to their current MSE business were assessed. Accordingly, as depicted on item 3 of Table 7, more than 46.2 percent of the formal and 50.0 percent of the non-formal TVET graduates replied that they were unemployed for about 7 months and above. Similarly, 34.6 percent of the formal and 33.3 percent of the non-formal TVET graduates were unemployed less than 6 months. Contrary to this, the remaining 19.2 percent of the formal and 16.7 percent of the non-formal TVET graduates were never unemployed.

From this finding, it is possible to deduce that those never faced the unemployment problem were part time workers while they were learning the training. When they graduate, they directly started a full time job of their own or for wage. That's why they never faced such a problem. Moreover, this finding has positive correlation with the World Bank's (2006:53) report about the Ethiopian case which suggests that the performance of Ethiopia's urban labor markets has been disappointing because of the average duration is long to have a job.

On the other hand, respondents were also asked to state whether they were registered as a job seeker for vacancies in public organizations while they were searching for a job after graduation. Accordingly, only 30.8 percent of the formal and 33.4 percent of the non-formal TVET graduates replied that they were registered as job seekers for vacancies. However, the remaining 69.3 percent of the formal and 66.6 percent of the non-formal TVET graduates were never registered. In fact, in Ethiopia, the Ministry of Labor and Social Affairs (MOLSA) is responsible for registration of job seekers and vacancies. It also recruits candidates to employers. However, labor market information is scarce, and overall is not available to all job seekers (Brehanu et al., 2005:34).

TABLE 8 : Reasons for Unemployment

No.	Item	Formal TVET Graduates (N=33)		Non-formal TVET Graduates (N=18)	
		Mean Value	Rank	Mean Value	Rank
1	If you were unemployed after graduation, what was/were the major Three reason(s) for not getting job (unemployment) after graduation?				
	A. Lack of labor market information system and the mismatch of demand and supply in the labor market	5.00	2	4.06	2
	B. Lack of access to vacancy advertisements	4.00	3	4.17	3
	C. Absence of job opportunities in my district and Misconception (underestimation) of my skill	5.77	1	5.17	1
	D. Lack of interest to work	1.00	0	2.06	0
	E. Lack of capital	3.00	0	2.78	0
	F. Insufficient skills and knowledge	2.00	0	2.06	0

N.B: r_s = Coefficient of rank correlation = 1

Okojie (2003:6) argues that the causes of youth unemployment in SSA are complex and multidimensional. As indicated in Table 8, the respondents from both the formal and non-formal TVET graduates under the study had similar perception in ranking for the major three reasons that hindered them from getting employment after graduation. Of the three major reasons, absence of job opportunities in their locality and misconception (underestimation) of their skill were the principal problem. Moreover, the lack of labor market information system and the mismatch of demand and supply in the labor market were the second major problem followed by the lack of access to vacancy advertisements. This finding is also consistent with the misconception of youth definition by the ILO (2006:6).

3.5 Descriptions Related to (Under/Full)employment

TABLE 9: Aspiration for Work and Level of Productivity of Respondents

No.	Items	Formal TVET Graduates		Non-formal TVET Graduates	
		Count	%	Count	%
1	For how many hours do you want to work per week?				
	A. Greater than 40 hours	39	75.0	23	76.7
	B. Between 30-40 hours	13	25.0	7	23.3
	C. Between 20-30 hours	0	0	0	0
	Total	52	100.0	30	100.0
2	What is your enterprise's current progress of production capacity?				
	A. Full production capacity	4	7.7	0	0
	B. Limited production capacity	8	15.4	4	13.3
	C. Under production capacity	40	76.9	26	86.7
	Total	52	100.0	30	100.0
3	Currently, are you looking for another job?				
	A. Yes	44	84.6	28	93.3
	B. No	8	15.4	2	6.7
	Total	52	100.0	30	100.0

As can be seen from item 1 of Table 9, 75.0 percent of the formal and 76.7 percent of the non-formal TVET graduates replied that they desire to work greater than 40 hours per week. The remaining 25.0 percent of the formal and 23.3 percent of the non-formal TVET graduates replied that they wish to work between 30-40 hours per week. This implies that youth TVET graduates are eager to work if the job is available. Thus, according to the 16th ILO's resolution in October 1998 definition of underemployment, those TVET graduates were found in underemployment condition.

One of the measurements of underemployment of workers in one country is productivity. Item 2 of the same Table deal with the current production capacity of enterprise's in the CIAs. To this end, only 7.7 percent of formal TVET graduates replied that their current enterprise was found in full production capacity. Contrary to this, all (100.0 percent) of the non-formal and 92.3 percent of the formal TVET graduates responded that their current enterprise was found in under and limited production capacity. This result is associated to the CSA survey held in 2002 about underutilization of firms in Ethiopia indicated briefly that the majority of enterprises' working capacity of in this country was under efficiency.

Regarding the current desire for another work of both TVET graduates, item 3 of Table 9 asserts that the majority of respondents, that is 84.6 percent of the formal and 93.3 percent of the non-formal TVET graduates, replied that they are currently looking for another job. This finding shows that both types of respondents did not have adequate employment situations. As the 16th ILO's resolution in October 1998, recommended that measurements of underemployment defined as all persons in employment who satisfy the following three criteria. (i) Working less than a threshold relating to working time, (ii) Willing to work additional hours; and (iii) Available to work additional hours.

TABLE 10: Status of Employment for the Last Seven Days (Before the Day of the Survey)

Item	Formal TVET Graduates (N=52)				Non-formal TVET Graduates (N=30)			
	Mean	SD	Min.	Max.	Mean	SD	Min.	Max.
How many hours did you work for the last seven days?	30.57	7.02	12.0	44.0	30.56	5.58	16.0	40.0

Mean = Mean Hour for the last 7 days, SD = Standard Deviation, Min.= Minimum, Max.= Maximum

One of the measurements of productivity is working hours of the labor force in the work places. In this regard, as can be seen from Table 10, the mean working hours of the formal and non-formal TVET graduates for the last seven days before the day of the survey were 30.57 hours and 30.56 hours. Furthermore, the minimum working hours in the work places for formal and non-formal TVET graduates were 12.0 hours and 16.0 hours whereas the maximum working hours were 44.0 hours and 40.0 hours respectively.

This finding also positively consistent with regard to utilization of labor force in working hours, the National Labor Force of 1999 reports that the mean number of hours worked (it has been computed based on the number of hours worked in last seven days) was under 40 hours per week in the Ethiopian context. Moreover, this ascertains that the sample respondents were working less than the standardized working hours for Federal Civil Servants that is 40 hours per week.

TABLE 11: Factors that Lead to Underutilization

No.	Factors that Lead to Underutilization	Rated by MSE Facilitators	Rated by Both TVET Graduates	Di	Di ²
1	Lack of infrastructure (Electric, Water, Telephone, First Aid /Clinic, Transport, Toilet, Fire Extinguisher, Road, Recreation center etc...)	3	2	1	1
2	Inadequate skill	9	10	-1	1
3	Lack of house or distance from residence	10	9	1	1
4	Inconvenience of working place	8	8	0	0
5	Lack of marketing place	2	3	-1	1
6	Lack of modern technical instruments	4	4	0	0
7	Shortage (low quality) of raw material supply	6	5	1	1
8	Existence of similar products with least price.	7	6	1	1
9	Personal (health and related) problem.	11	11	0	0
10	Lack of willingness of MSE facilitators	5	7	-2	4
11	Shortage/lack of recurrent finance	1	1	0	0
				$\Sigma=0$	$\Sigma=10$

N= 11, $r_s= 0.994$, Significance at $\alpha = 0.05$, Critical Table value is 0.168

As shown in the spearman rank-order correlation coefficient of Table 11, the observed value (0.994) is greater than the critical value (0.168). Therefore, the two groups (MSE facilitators and both TVET graduates) have significant degree of correlation in their evaluation of the current factors that lead to underutilization of TVET graduates in the industry area.

Accordingly, shortage of recurrent finance, lack of marketing place, lack of infrastructure and, lack of modern technical instruments were ranked first to fourth respectively. This concisely reveals that out of all the current factors that lead to underutilization of TVET graduates in the industry areas shortage of recurrent finance was the prime determinant factor.

The result supports the explanation provided in the literature that limited access to finance can have two results. First, it may prevent a young man or woman from initiating their business idea. The second result is that people who start a business do so under-capitalized (White and Kenyon, 2002:20).

On the other side of the continuum, personal (health and related) problem, lack of house or distance from residence, inadequate skill, and inconvenience of working place were ranked as least determinant factors that lead to underutilization of TVET graduates in the industry areas. The other three factors were ranked in between the two extremes.

The ranks made by the two groups of respondents generally assured that out of the current factors that lead to underutilization of TVET graduates in the industry areas particularly shortage of recurrent finance, lack of marketing place, and lack of infrastructure have a significant role to play in determining the proper utilization or underutilization of the TVET graduates in their respective CIAs.

TABLE 12: Description of Sustainability and Future Employment

No.	Items	Formal TVET Graduates		Non-formal TVET Graduates	
		Count	%	Count	%
1	Is the market situation is good currently?				
	A. Yes	6	11.5	1	3.3
	B. No	46	88.5	29	96.7
	Total	52	100.0	30	100.0
2	If your answer is “No” for item “1”, what is(are) the reason(s)?				
	A. My product is not attractive	3	6.5	2	6.9
	B. Less product finishing output (underutilization)	19	41.3	11	37.9
	C. Competition and lack of demand	8	17.4	8	27.6
	D. Lack of awareness how to handle market Network with customers	16	34.8	8	27.6
	Total	46	100.0	29	100.0
3	What is your future plan with your enterprise’s activity?				
	A. Maintain existing production /services scale	8	15.4	5	16.7
	B. Expand the existing enterprise scale	31	59.6	16	53.3
	C. Diversify the existing enterprise production	9	17.3	6	20.0
	D. To shutdown the enterprise and seek other job	2	3.8	2	6.7
	E. I don’t know	2	3.8	1	3.3
	Total	52	100.0	30	100.0

These days, how to handle any kind of a business is not an easy task for any body. On the other hand, some strategies could help to facilitate and make continuous sustainable of income generation for the operator her/him self. To this end, as shown on item 1 of Table 12, 88.5 percent of the formal and 96.7 of the non-formal TVET graduates under the study replied that there was no attractive market currently that makes them to get sustainable employment.

In connection with this, on item 2 of the same Table, respondents were asked to indicate the main reason that leads their business into lack of market. Accordingly, 41.3 percent of the formal and 37.9 percent of the non-formal TVET graduates reported that underutilization was the major reason for the lack of market. Moreover, 34.8 percent of the formal and the 27.6 percent of the non-formal TVET graduates reported that lack of awareness how to handle the market network with customers was among the main reasons for the lack of current market. Following this, 17.4 percent of the formal and 27.6 percent of the non-formal TVET graduates reported that competition was also the other reason for lack of market.

As far as the current market of those enterprises for sustainable employment creation is concerned, as depicted in item 3 of the same table, 59.6 percent of the formal and 53.3 percent the non-formal TVET graduates assured that to expand their existing enterprises' scale followed by 17.3 percent of the formal and 20.0 percent the non-formal TVET graduates wished to diversify their existing enterprises' production. Contrary to this, 3.8 percent of the formal and 6.7 percent the non-formal TVET graduates had an aspiration to shutdown their enterprise and intended to seek other job.

The above finding strengthens the assertion that having skill, knowledge and enterprise facilities could not create sustainable market and employment. Moreover, as stated by Axmann (2004:6), training alone never creates jobs.

3.6 The Role of MSE for Employment

MSEs play an essential role in securing income and employment for millions of people and in creating new jobs. Furthermore, the development of MSEs by and for young people represents an essential source of employment creation for youth (Sievers et al., 2003) and Todaro (2000). In this respect, the existing practices of the sampled MSE operators that encouraged them in order to participate into this business area was described based on the responses obtained on the following table.

TABLE 13: Push and Pull Aspects into MSE

No.	Items	Formal TVET Graduates		Non-formal TVET Graduates	
		Count	%	Count	%
1	Did you know while you were in your TVET center the benefits of the MSE Development Agency?				
	A. Yes	9	17.3	4	13.3
	B. No	43	82.7	26	86.7
	Total	52	100.0	30	100.0
2	In what activity you were engaged before you joined in to your current enterprise?				
	A. Student	4	7.7	2	6.7
	B. Daily laborer	10	19.2	9	30.0
	C. Employed in government business	6	11.5	2	6.7
	D. Operate my own micro enterprise activity	10	19.2	6	20.0
	E. Unemployed (for short or long time)	19	36.5	10	33.3
	F. Employed in non-government business	3	5.8	1	3.3
	Total	52	100.0	30	100.0
3	Why did you choose to join in to MSE business activities?				
	A. I could not have any other option	29	55.8	17	56.7
	B. Other activities were occupied by many people	0	0	0	0
	C. The cooperative MSE activity has good return (benefit)	20	38.5	11	36.7
	D. Because I saw my friends /other people do it	3	5.8	2	6.7
	E. Forced by government	0	0	0	0
	Total	52	100.0	30	100.0

One of the most important contributions of MSEs to the national development is the creation of employment. However, as shown on item 1 of Table 13, 82.7 percent of the formal and 86.7 percent the non-formal TVET graduates replied that they didn't know the benefits of the MSE Development Agency while they were in their TVET institutions.

Respondents were also asked, as stated on item 2 of the same Table, to identify in what activities they were engaged before they joined in to their current enterprises. To this end, unemployed (for short or long time) constituted the significant proportion followed by daily laborer and operate my own micro enterprise activity; the proportions were 36.5 percent, 19.2 percent and 19.2 percent for formal TVET graduates, and 30.3 percent, 30.0 percent and 20.0 percent for non-formal TVET graduates respectively.

Item 1 of Table 13 deals with the main reasons that engage TVET graduates in to their current MSE activities. To this end, 55.8 percent of the formal and 56.7 percent the non-formal TVET graduates respondents mentioned that they were engaged in the activity because they could not have any other options. Around 38.5 percent of the formal and 36.7 percent the non-formal TVET graduates pointed out that they are involved in the activity with the expectation of the cooperative MSE activity has good return and earnings while other respondents (5.8 percent of the formal and 6.7 percent the non-formal TVET graduates) pointed out because of they saw their friends or other people doing it.

This is a clear indication, as stated by Sziraczki and Reerink (2005:9), that self-employment in developing countries is a last resort for those unable to secure stable wage employment but are in need of income. As a result, according to Dubois (1998:18), through its various forms the self-employment, micro-enterprises, and small industries appeared as the best answer as an option.

TABLE 14: Respondents' Opinion on the Relevance of MSE for Employment

No.	Items	MSE Facilitators		Formal TVET Graduates		Non-formal TVET Graduates		Calculated X^2	P-value
		Count	%	Count	%	Count	%		
1	Does the existence of the industry areas contribute to create self-employment?							4.205	$P > \infty$
	A. Yes	18	80.0	42	80.7	20	66.6		
	B. No	2	20.0	10	19.3	10	33.4		
	Total	20	100	52	100.0	30	100.0		

*significance at alpha level 0.01

An examination of Table 14 illuminates about the relevance and existence of the CIAs for employment creation and income generation for youth TVET graduates. As it was clearly revealed in the Table, the chi-square result indicates that there is no statistically significant difference at an alpha less than 0.01 level. This indicates that there was no different perception among the respondents of MSE facilitators, formal and non-formal TVET graduates about the existence of the CIAs for employment creation and income generation for youth TVET graduates. It is possible to deduce that those established MSEs in the CIAs provided the most important contribution to income generation and wider creation of employment.

Furthermore, this finding is consistent with the Kenyan experience, as stated by Kimuyu and Omiti (2000:3) that MSE sector in Kenya is important for employment generation, wealth creation and welfare.

TABLE 15: Respondents' Attitude for and Motivation into CIAs

No.	Items	Formal TVET Graduates		Non-formal TVET Graduates		Calculated X ²	P-value
		Count	%	Count	%		
1	What was your attitude about this CIA before you joined here?					0.326	P > α
	A. Positive	50	96.2	28	93.3		
	B. Negative	2	3.8	2	6.7		
	C. I don't know	0	0	0	0		
	Total	52	100.0	30	100.0		
2	Who motivated you to join into this enterprise?						
	A. My family and friends	9	17.3	4	13.3		
	B. Kebele MSE facilitators	38	73.1	24	80.0		
	C. My vocational counselor	5	9.6	2	6.7		
	D. Others	0	0	0	0		
	Total	52	100.0	30	100.0		

*significance at alpha level 0.01(only for the chi-square result)

As already stated in the literature, socio-economic growth and industrial expansion of large-scale enterprise has often failed to provide adequate employment opportunities for large segments of the labor force in the developing countries. Ethiopia, with its huge and rapidly increasing population, has faced a long history of urban unemployment and rural under employment. To alleviate the problem, MSEs can be taken as a solution. Thus, MSEs are the most labor intensive and are quite important in job creation and providing gainful employment opportunities at a relatively low capital.

Item 1 of Table 15 deals with the attitude of both TVET graduates about the industry areas before they joined there officially. Hence, the chi-square result indicates that there is no statistically significant difference at an alpha less than 0.01 level. This indicates that there was no different attitude among the respondents of formal and non-formal TVET graduates about the industry areas before they joined there officially. It is possible to deduce that those TVET graduates had positive attitude for establishing their MSEs in the CIAs. This detection is also consistent with ILO (2005b) statement that the double nature of a cooperative as an enterprise

and an association contributes to making them congenial workplaces for the youth. Consequently, these business areas could provide in the form of cooperatives: affordable workspace, shared facilities, training places, and access to external networks for youth entrepreneurial groups, thereby helping to promote venture creation (Finnegan, 1999; White and Kenyon, 2002).

Regarding the motivation that both TVET graduates got in order to engage themselves in to MSE business, as illustrated on Table 15 of item 2, respondents were also asked to indicate their source of motivation. To this end, 73.1 percent of the formal and 80.0 percent the non-formal TVET graduates portrayed that they got from Kebele MSE facilitators. Moreover, 17.3 of the formal and 13.3 percent the non-formal TVET graduates replied that they got from their family and friends. The remaining 9.6 percent of the formal and 6.7 percent the non-formal TVET graduates responded that they got the motivation from their vocational counselor.

3.7 The Extent of Credit Facilities and Financial Status of TVET Graduates

TABLE 16: Status of Respondents' Income and Saving

No.	Items	Formal TVET Graduates		Non-formal TVET Graduates	
		Count	%	Count	%
1	Did your income increase after you started your enterprise?				
	A. Yes	30	57.7	16	53.3
	B. No	22	42.3	14	46.7
	Total	52	100.0	30	100.0
2	Do you have saving account that you opened so far?				
	A. Yes	15	28.8	11	36.7
	B. No	37	71.2	19	63.3
	Total	52	100.0	30	100.0

According to the literature, one of the most important contributions of MSEs to the economy in general and to the operators' livelihood in particular is the generation of income. As depicted on Table 16 of item 1, about 57.7 percent of the formal and 53.3 percent the non-formal TVET graduates reported that their major source of income increased after they started their current enterprise. Contrary to this, 42.3 percent of the formal and 46.7 percent the non-formal TVET graduates pointed out that their income didn't increased after they started the current enterprise.

On the other hand, as shown in the same Table of item 2, respondents were asked to state whether they opened so far a saving account in a bank. Accordingly, only 28.8 percent of the formal and 36.7 percent the non-formal TVET graduates responded that they do have a saving account in a bank. However, the remaining respondents, that is, 71.2 percent of the formal and 63.3 percent the non-formal TVET graduates replied that they didn't open a book yet. This finding is consistent with ADB's (2006) statement that Ethiopia's domestic resource mobilization effort is low and reflecting low domestic savings rate among SSA countries.

TABLE 17: Present Source of Finance of the Respondents' Business

No.	Items	Formal TVET Graduates		Non-formal TVET Graduates	
		Count	%	Count	%
1	What was the major source of finance when you start and run your current enterprise				
	A. Micro financial institutions (banks)	49	94.2	30	100.0
	B. Selling household furniture	0	0	0	0
	C. From private savings	0	0	0	0
	D. Informal loan (from <i>Arata</i>)	0	0	0	0
	E. Support from relatives	0	0	0	0
	F. Support from NGO or government	0	0	0	0
	G. Others	3	5.8	0	0
	Total	52	100.0	30	100.0
2	Is the loan obtained through providing corporeal collateral?				
	A. Yes	0	0	0	0
	B. No	49	100.0	30	100.0
3	Did you (or your enterprise) return the loan?				
	A. Yes	3	7.1	2	6.6
	B. No	46	92.9	28	93.4
	Total	49	100.0	30	100.0
4	If your answer is "No", what was the reason?				
	A. Because the interest is high	17	37.0	12	43.0
	B. Because the current market is not good	25	54.3	14	50.0
	C. Because of bankruptcy	4	8.7	2	7.0
	Total	46	100.0	28	100.0
5	Could you say that your production is in problem due to lack of loan?				
	A. Yes	7	13.5	2	6.7
	B. No	45	86.5	28	93.3
	Total	52	100.0	30	100.0

According to the literature review, working capital availability is the leading factor for the development of any business activity. It determines a firm's choice of investment, employment, and other related activities. Hence, the source of finance to engage into MSEs in addition to the owner's fund can be formal or informal financial institutions. The formal sector includes commercial banks, and other financial institutions, while the informal sector includes private moneylenders, relatives, as well as traditional source such as *Arata*.

Respondents of the survey were asked about their start up capital of their current enterprise. On item 1 of Table 17 shows that 94.2 percent of the formal and 100.0 percent the non-formal TVET graduates responded that their source of start up capital was from MFIs. Not negligible part (5.8 percent of formal TVET graduates) reported that their source of startup capital was from other sources.

Furthermore, both TVET graduate respondents were asked to state whether or not the loan obtained through providing corporeal collateral. As illustrated on item 2 of the same Table, all (100.0 percent) of the respondents from both parties replied that the loan was obtained without providing corporeal collateral. It is safe to deduce from this finding that the government provides thousands of Birr for those who organized themselves in the CIAs particularly without requesting corporeal collateral.

Concerning returning back of the loan to the lender body, as shown on item 3 of Table 17, only 7.1 percent of the formal and 6.6 percent of the non-formal TVET graduates reported that their loan was amortized on time. Nevertheless, 92.9 percent of the formal and 93.4 percent of the non-formal TVET graduate respondents replied that their loan yet not returned. Consequently, both respondents were also asked what's wrong with the amortizing process. As shown on item 4 of Table 16, among the reasons the current market is not good for it constituted a significant proportion followed by the interest rate is high and because of bankruptcy; the proportions were 54.3 percent, 37.0 percent and 8.7 percent of the formal, and 50.0 percent, 43.0 percent and 7.0 percent of the non-formal TVET graduates respectively.

As far as the current demand of loan for the enterprises capacity building is concerned, as illustrated on item 4 of the Table 17, respondents were asked to portray that their production is in problem due to lack of loan. The majority, that is, 86.5 percent of the formal and 93.3 percent of the non-formal TVET graduate respondents replied that their production is in problem due to

lack of loan. The remaining 13.5 percent of the formal and 6.7 percent of the non-formal TVET graduate respondents replied that the loan is not necessary right now.

In general, from the above items of analysis of financial issues, one can understand that there was a loan support for MSE operators in order to run their business, however, the repayment procedures seem not given due attention to payback on time.

3.8 The Extent of BDS Facilitation for TVET Graduates

As clearly defined by Anderson (2001:5), BDS is all external non-financial support to MSEs that increases their operational capacity, access to markets, management skills, financial efficiency and access to networks that enable a number of MSEs to access markets, know-how, networks, information, etc. In this respect, the existing practices of BDS facilitations for the sampled MSE operators encouraged them in order to enthusiastically participate in their business area.

TABLE 18: Condition of Market Network and BDS Facilitation for Respondents

No.	Items	Formal TVET Graduates		Non-formal TVET Graduates	
		Count	%	Count	%
1	Have you received any technical support to run your enterprise?				
	A. Yes	43	82.7	26	86.7
	B. No	9	17.3	4	13.3
	Total	52	100.0	30	100.0
2	Do you (or your enterprise) want assistance of BDS currently?				
	A. Yes	52	100.0	30	100.0
	B. No	0	0	0	0
	Total	52	100.0	30	100.0
3	Where do you sell your products?				
	A. At the work place	50	96.2	30	100.0
	B. At the market place	0	0	0	0
	C. In your branch (display) shop	0	0	0	0
	D. To the whole sellers	2	3.8	0	0
	E. Directly to consumers according to their order	0	0	0	0
	Total	52	100.0	30	100.0

In light of the above discussion, on item 1 of Table 18, respondents were asked to indicate that whether they received any technical support to run their current enterprise. The majority of respondents, 82.7 percent of the formal and 86.7 percent of the non-formal TVET graduates, replied that they took additional technical support by BDS providers.

One hundred percent of both TVET graduates, as shown on item 2 of the same Table, positively replied that currently they need assistance of BDS. Furthermore, regarding the market place of those enterprises, respondents were asked to indicate where they usually sell their products. One hundred percent of the non-formal and 96.2 percent of the formal 86.7 TVET graduate respondents replied that they sell their products at the work place. From this finding it is possible to deduce that there is no readymade display shop or market place for those enterprises. This reveals that the explanation provided by White and Kenyon (2002) that although a shared workspaces and market places can be found in different forms in many countries, there appears to be few which specifically address the needs of young men and women.

Similarly, as Wolday and Gebrehiwot (2006) indicated that, in Ethiopia, the impact of acquiring BDS in benefiting MSE operators is significant. In spite of these positive developments in BDS market in Addis Ababa, there are deficiencies in meeting needs of MSE operators. Particularly, Zewede and Associate (2002), reported that some of those MSE operators who have some knowledge of BDS do not seem to fully appreciate the benefits that these services can provide in terms of improving the performance of their business operations.

In summation, according to the responses secured for the open-ended questions forwarded to the respondents of MSE officers, the current major problems of TVET graduates are:

- ✦ lack of display for their products and absence of entrepreneurial initiative;
- ✦ lack of furnishing and finishing skills for a given product by their customers; and
- ✦ restricted market opportunities only to government projects until they returned back their loan to the lender MFIs.

On the other hand, the respondents of both TVET graduates stated their problems related to:

- ❖ negative attitudes of the communities towards the young workers found in CIAs and their products;
- ❖ lack of additional BDS facilities and market place (product display); and
- ❖ lack of capital and absence of support from concerned MSE officials.

CHAPTER FOUR

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter includes summary of the major findings, conclusions and recommendations of the study.

4.1 Summary

The prime purpose of this research was to investigate the Role of MSE in Reducing Youth Unemployment of TVET Graduates in Addis Ababa City Administration, specifically in the CIAs and to suggest possible solutions. The study endeavors to achieve the major and specific objectives of the study. Moreover, the research attempts to address the following basic questions.

1. Is the current job of TVET graduates similar to the area which they are trained for in Addis Ababa City Administration Cooperative Industry Areas (CIAs)?
2. What are the factors that affect TVET graduates to start their own business (self-employment) in Addis Ababa City Administration?
3. What factors expose TVET graduates to unemployment after graduation in Addis Ababa City Administration?
4. What determines the working condition of TVET graduates underutilization or underemployment in Addis Ababa City Administration CIAs?
5. What are the contributions of the MSE sector in terms of income generation and employment creation for TVET graduates in the industry areas?
6. What are the major problems encountered in the provision of credit services for TVET graduates in the industry areas?
7. What is the status of Business Development Service (BDS) facilitation for TVET graduates in the industry areas?

The study tried to address the basic research questions raised above in order to meet the objective of the study. In dealing with the research questions, relevant data were gathered mainly through questionnaire and document review. The data obtained were analyzed and interpreted by using the latest SPSS version 15.0 using frequency distribution, percentage, chi-square, t-test, and spearman rank order correlation coefficient. Based on the analysis made, the following were found out and set in eight groups.

4.1.1 Characteristics of Respondents

- a. Almost all of the respondents, 93.2 percent of the study groups were male. This indicates that poor participation of female in the MSE business area. Therefore, the responses of the subject represented predominantly males' idea.
- b. The majority of TVET graduates were within the age category of 25-29. This may indicate that most of the respondents were young enough and their responses could be useful for the study. Moreover, since they were found in the youth age, it is possible to deduce that the majority of young TVET graduates (both types) engaged in MSE business.
- c. The marital status of the sample respondents shows that the majority of TVET graduates were found unmarried while only 27.3 percent were married. The possible reason seems to be young people who are attempting to create self-employment are mostly unmarried.
- d. Concerning the type of industry, both TVET graduates were engaged in building construction, metal and woodwork sector. This signifies that almost all CIAs in Addis Ababa City Administration were dominated by those sectors.
- e. Regarding fields of studies of both TVET graduates, Construction Technology constituted the significant proportion followed by Industrial Technology and Business streams.

4.1.2 Vocational Background of the Respondents

- a. The majority of both TVET graduates' present job was completely different and a little bit similar to the training areas that they are trained for.

- b. Both TVET graduate respondents have been trained with appropriate skills to carryout their present job. However, a few number of those graduates confirmed that they are currently attending further training to attain vital skills and knowledge to fulfill their present job.
- c. Guidance and counseling service for prospective graduates might help later on in determining proper decision and employability. To this end, only a small proportion of both TVET graduate respondents got such a service. Contrary to this, the majority of them did not obtain such a service while they were in their respective TVET institutions.
- d. According to the finding, no one of the non-formal TVET graduate joined in apprenticeship program. On the other hand, about 41.5 percent of the formal TVET graduates were joined in apprenticeship program.

4.1.3 Descriptions Related to Self-employment

- a. The research revealed it that, the majority of the formal and non-formal TVET graduate respondents were not self-employed after graduation.
- b. The major source of income at the time of start-up of the TVET graduates of those who established their own business got support from relatives and their previous saving.
- c. The results of the t-test on the major determinant factors of self-employment showed that there was no statistically significant difference between the formal and non-formal TVET graduates at alpha 0.01 level for all determinant factors of self-employment except to the items of biased what to do, lack of work experience, lack of capital to start a business, lack of infrastructure, and lack of managerial experience. Furthermore, when this difference was examined, each mean value of the above listed items were greater in the non-formal TVET graduates than in the formal TVET graduates. Therefore, from the aforementioned discussion, the two groups (both TVET graduates) have only some significant degree of correlation in their evaluation of the determinant factors to start a business as self-employed.

4.1.4 Descriptions Related to (Un)employment

- a. The purpose of TVET is to prepare trainees to the world of work. However, the majority of both TVET graduates didn't get wage employment after graduation. On the other hand, the finding shows that both types of TVET graduates were eager to involve themselves in organizations other than government jobs.
- b. The majority of both TVET graduates' unemployment status before engaging in to the current MSE business showed that they were unemployed for about 7 months and above. Contrary to this, a number of TVET graduates were employed. They have never faced the unemployment problem. They were part time workers while they were attending the training. When they graduate, they directly start a full time job of their own or for wage. That's why they never faced such a problem. Besides, the majority of both TVET graduates were never registered as a job seeker for vacancies.
- c. The respondents from both the formal and non-formal TVET graduates under the study had similar perception in ranking for the major three reasons that hindered them from getting a job (unemployment) after graduation. Of the three major reasons, absence of job opportunities in their locality and misconception (underestimation) of their skill were the principal problems followed by the lack of labor market information system and lack of access to vacancy advertisements.

4.1.5 Descriptions Related to (Under/Full)employment

- a. Only small proportion of both TVET graduates replied that they wish to work between 30-40 hours per week. The remaining majority of TVET graduates replied that they desire to work longer than 40 hours per week if the job would be available.
- b. One of the measurements of underemployment of workers in a country is productivity. In this regard, the current production capacity of enterprise's in the CIAs was found being under and limited production capacity. However, most of both TVET graduates agree that they are currently looking for another job. This research shows that both types of respondents did not have adequate employment situations.

- c. Likewise, one of the measurements of productivity is working hours of the labor force in the work places. In this regard, the mean working hours of the formal and non-formal TVET graduates for the last seven days before the day of the survey were 30.57 hours and 30.56 hours. Furthermore, the minimum working hours in the work places for formal and non-formal TVET graduates were 12.0 hours and 16.0 hours whereas the maximum working hours were 44.0 hours and 40.0 hours respectively.
- d. MSE facilitators and both TVET graduates ranked the very determinants current factors that led to underutilization of TVET graduates in the industry area. From the 11 listed determinants, shortage of recurrent finance, lack of marketing place, lack of infrastructure and, lack of modern technical instruments were ranked first to fourth. In the other side of the continuum, personal (health and related) problem, lack of house or distance from residence, inadequate skill, and inconvenience of working place were ranked as least determinant factors that led to underutilization of TVET graduates in the industry areas.
- e. The majority of both TVET graduate respondents disclosed that there was no attractive market currently that makes them to get sustainable employment. Among the main reasons, underutilization and lack of awareness how to handle the market network with customers were the major factors. Besides, both graduates assured that they want to expand their existing enterprises' scale and to diversify their existing enterprises' production. However, some of TVET graduates had an aspiration to shutdown their enterprise and intended to seek other job.

4.1.6 The Role of MSE for Employment and Income Generation

- a. As reported by the study groups (both TVET graduates) replied that they didn't know the benefits of the MSE Development Agency while they were in their TVET institutions. Moreover, the majority were unemployed (for short or long time) before they joined in to their current enterprises. In addition, others were daily laborers and operate their own micro enterprise activities.

- b. Regarding the main reasons for engagement in to the MSE activities, most of the respondents of TVET graduates replied that they joined if for they could not have any other options or with expectation of good return and earnings while other respondents pointed out that they saw their friends or other people doing it.
- c. Regarding the existence of the CIAs for employment creation of TVET graduates, the chi-square result indicates that there is no statistically significant difference among the perception of MSE facilitators, formal and non-formal TVET graduates about the relevance and existence of the CIAs for employment creation and income generation for youth TVET graduates. To this effect, those established MSEs in the CIAs provided the most important contribution to income generation and wider creation of employment.
- d. The opinion and attitude of both TVET graduates about the industry areas before they joined there officially was positive. Furthermore, the chi-square result indicates that there is no statistically significant difference at an alpha level of 0.01 among the perception of formal and non-formal TVET graduates. It is possible to deduce that those TVET graduates had positive attitude for establishing their MSEs in the CIAs. Besides, the majority of the TVET graduates portrayed that they got a motivation in order to engage themselves into MSEs business from Kebele MSE facilitators followed by their family and friends.

4.1.7 The Extent of Credit Facilities and Financial Status of TVET Graduates

- a. One of the most important contributions of MSEs to the economy in general and to the operators' livelihood in particular is the generation of income. In this respect, most of the TVET graduates reported that their major source of income or means of survival increased after they started their current enterprise. However, the majority of the TVET graduates replied that they didn't open a bank saving account book yet.

- b. Most of the TVET graduates confirmed that their source of start up capital for their current business was from MFIs. Moreover, both parties replied that the loan obtained without providing corporeal collateral. Nevertheless, as the majority of both TVET graduate respondents affirmed that their loan is not yet returned for the reason that the current market is not good and the interest rate is high plus because of bankruptcy. Furthermore, the majority of the respondents of both TVET graduates replied that currently their production is in problem due to lack of loan.

4.1.8 The Extent of BDS Facilitation for TVET Graduates

- a. It was found out that, the majority of the respondents disclosed that they took at least one additional technical support from BDS providers in their respective CIAs.
- b. One hundred percent of the TVET graduates positively replied that currently they need assistance of BDS. Furthermore, the majority of respondents replied that they sell their products in their work place. The reason is that there is no readymade display shop or market place for those enterprises.
- c. According to the responses secured for the open-ended questions forwarded to the respondents of MSE officers, the current major problems of TVET graduates are:
- ❖ lack of display for their products and absence of entrepreneurial initiative;
 - ❖ lack of furnishing and finishing skills for a given product by their customers; and
 - ❖ restricted market opportunities only to government projects until they returned back their loan to the lender MFIs.

On the other hand, the respondents of both TVET graduates stated their problems related to:

- ❖ negative attitudes of the communities towards the young workers found in CIAs and their products;
- ❖ lack of additional BDS facilities and market place (product display); and
- ❖ lack of capital and absence of support from concerned MSE officials.

4.2 Conclusions

In light of the major findings of the study, the following conclusions are drawn.

- i. The importance of TVET for the world of work and decent employment is undisputable. To this effect, formal or non-formal institutions of vocational education can be evaluated by enabling their graduates' employability in the labor market. Even though, both TVET graduate respondents have been trained with appropriate skills to carry out their present job, no one of the non-formal TVET graduates were in the apprenticeship program and the majority of both TVET graduates' present job was completely different from their training areas. The major reasons were absence of guidance and counseling service for prospective graduates and unable to join in apprenticeship program as well as mismatch of the demand and supply in the labor market. Therefore, we can conclude from this that because of the above mentioned causes, the TVET graduates exposed to work a job that was completely different from their training areas.
- ii. The major source of income at the time of start-up of the TVET graduates of those who established their own business got support from relatives and their previous saving. However, the majority of the formal and non-formal TVET graduate respondents were not self-employed after graduation. The major factors that determine the self-employability of TVET graduates were lack of loan facilities, insufficient skills and knowledge, absence of job opportunities in your locality, lack of working premises, lack of work experience, high market competition, discouraging local market conditions, high level of taxes, availability of insufficient raw material, getting registration is tedious, government policy towards self-employment, society attitude towards self-employment, uncertainty about the economy, corruption and political instability. In general, it can be concluded that overall self-employment of TVET graduates depend on the situational aspects of the above mentioned factors.
- iii. The purpose of TVET is to prepare trainees to the world of work. However, the majority of both TVET graduates didn't obtain wage employment after graduation. Moreover, the unemployment status of those graduates before engaged in to their current MSE business was for about 7 months and above. Of the three major reasons for unemployment,

absence of job opportunities in their locality and misconception (underestimation) of their skill were the principal problem. In conclusion, instead of inspiring for self-employment, lack of vocational guidance and counseling in TVET institutions may contribute its part in aggravating the problem of (un/under)employment after graduation.

- iv. One of the measurements of underemployment of workers in a country is productivity. In this regard, the current production capacity of the enterprises' in the CIAs was found being under and limited production capacity. Therefore, the majority of TVET graduates replied that they desire to work longer than 40 hours per week if they get a job. Furthermore, most of the TVET graduates agreed that they are currently looking for other jobs. Of the determinants for underemployment, shortage of recurrent finance, lack of marketing place, lack of infrastructure and, lack of modern technical instruments ranked first to fourth by MSE facilitators and the TVET graduates. As a conclusion, there was no attractive market currently that makes them to get sustainable employment. Consequently, some of TVET graduates had the aspiration to shutdown their enterprise and intended to seek other job.
- v. As reported by the study groups (both TVET graduates) replied that they didn't know the benefits of the MSE Development Agency while they were in their TVET institutions. Above all, it can be concluded that most of the respondents joined in to MSE business because they could not have any other options.
- vi. One of the most important contributions of MSEs to the economy in general and to the operators' livelihood in particular is the generation of income. In this respect, most of both TVET graduates reported that their major source of income or means of survival increased after they started their current enterprise. However, the majority of both TVET graduates replied that they didn't open a bank saving account book yet. In conclusion, their production was in problem due to lack of loan and unaware how to safe a money.
- vii. It was found out that, one hundred percent of both TVET graduates replied that currently they need assistance of BDS. Furthermore, the majority of respondents replied that they sell their products at the work place. The conclusion is that there is no readymade display shop or market place for those enterprises led them to the request of BDS.

4.3 Recommendations

In this section of the study, recommendations are presented that will help decision makers in the area reconsider past shortcomings and to undertake corrective measures for the success of future accomplishments. On the basis of the research findings and the conclusions drawn, the following recommendations are forwarded for further considerations and applications in the future youth unemployment reduction practices in general and self-employment creation for TVET graduates in MSE sector in particular.

- i. Even though, both TVET graduate respondents have been trained with appropriate skills to carryout their present job, surprisingly, according to the finding, the majority of both TVET graduates' present job was completely different from their training areas. Therefore, providing further short and long term training for those misplaced graduates is unquestionable. In order to offer vocational training and further informal training (a basic training with out common courses) as an immediate solution which is similar trade with the current job of TVET graduates, it is believed that there should be a linkage between training providers (TVET institutions) and the MSEs that are found in the CIAs. Thus, it is recommended that to create the linkage between both parties, MSE officers and TVET experts of the Addis Ababa City Education Bureau should work together and facilitate advanced short and long term training for those misplaced graduates through on-the-job training (the training, the trainer and the trainee in the workplace). Moreover, it is also recommended for TVET institutions that it is as well important to apply tracer study through practicing in every sub city level to make possible corrections that whether their graduates' placement is in proper place or not. In nut shell, preconditions like the identification of relevant training areas for trainees and reducing the number of training up to the demand of the labor market should be satisfied at least in sub city level. This can certainly help to examine which training areas needed at most in the market and leads to swell the employability of TVET graduates by their fields.
- ii. The majority of the formal and non-formal TVET graduate respondents were not self-employed after graduation. Therefore, the concerned parties like Ministry of Trade and Industry, Ministry of Education, Ministry of Labor and Social Affairs, AAREMESEDA and others such as Chambers of Commerce, Micro Finance Institutions, TVET

institution officials and sub city MSE facilitators should recognize and make a conducive environment by considering the major determinant factors of self-employment for youth TVET graduates who are unemployed for a long time after graduation through providing loan for start-up capita and continuing the present practice of offering workplaces in group (CIAs). It is also recommended that providing only loan and working place not by itself creates job for those TVET graduates. Therefore, trainings such as entrepreneurship and business courses should provide by BDS facilitators before offering the loan and the workplace for a specified time in order to make the process continuous and sustainable. Finally, it is highly recommended for those who received the CIAs that there should be a limited time (date) of returning back the CIAs for another beneficiary unemployed youth TVET graduates if and only if they are not productive enough. Therefore, proper supervision by MSE officers and follow-up survey is vital. Otherwise, the CIAs converted into AICs (Abbey and Irrelevant Caches).

- iii. The purpose of TVET is to prepare trainees to the world of work. However, the majority of both types of TVET graduates didn't obtain wage employment after graduation. Thus, in TVET institutions the apprenticeship program should be practiced properly through establishing linkages with local employer organizations thereby by assessing the most demanded training areas in these employer companies. Hence, to minimize unemployment after graduation, trainees should be involved in part-time work at least in voluntary service term while they were attending their training in line with the apprenticeship program. The principal purpose and usefulness of this method will be just after they graduated, they directly start a full time job of their own business or could be hired. Thus, it is recommended that there should be a close cooperation with labor-intensive projects such as the Low Cost Housing Projects (Condominiums) and the like in order to build up confidence and skill of the trainees for employment after graduation. Therefore, Education Bureau of the city and concerned TVET institution officials should facilitate dialogue with the project officials, the trainees and their parents by stressing the problem of getting a job after graduation as a pressing situation for the majority of graduates.

- iv. One of the measurements of underemployment of workers in a country is productivity. In this regard, the current production capacity of the enterprises' in the CIAs was found being under and limited production capacity. Consequently, most of the TVET graduates are currently looking for other jobs. Hence, the TVET graduates did not have an adequate employment situation that makes them effectual. Therefore, it recommended that in solving the underutilization predicaments, not only the Addis Ababa City Administration apprehension could merely solve the overdo cumulative problems, but also the federal government should also intervene more on the expansion and maintaining of CIAs for sustainable economic basement through proposing bilateral support from donor organizations for finance, advanced technology and modern instruments. Moreover, the Addis Ababa City Administration should work to encourage a broad and dynamic concept of entrepreneurship in the society through different mass-media to stimulate personal initiatives in a broad variety of organizations which include the private sector, small and large enterprises, social entrepreneurs, cooperatives, the public sector, the trade union and youth organizations. This can certainly help to expand industrial based clusters and business incubators in sub city level thereby to facilitate productivity.
- v. Most of the respondents joined in to the MSE business because they could not have any other options. As reported by the TVET graduates that they didn't know the benefits of the MSE Development Agency while they were in their TVET institutions. Therefore, it is recommended that regional MSE and MFI officials with collaboration of TVET institutions should open branch offices in every TVET centers for the sake of providing information to the trainees about the recent Labor Market Information (LMI). Moreover, those established branch offices used to propagate and broadcast about the relevance of MSEs and existence of the CIAs for employment creation and income generation for youth in general and for TVET graduates in particular thereby to create positive attitude about establishing their own MSEs in the CIAs in order to be self-employed. To this effect, those established branch offices should act as mediators between the fresh school leavers and the world of work by incorporating labor market information system, market network, available access to vacancy advertisements, and acquaint themselves with various governmental and non-governmental organizations for vacancies.

- vi. One of the most important contributions of MSEs to the economy in general and to the operators' livelihood in particular is the generation of income and employment. However, the production of those TVET graduates who are operators of MSEs in CIAs was in problem due to lack of loan. As a consequence, lack of loan may affect their employment status. Therefore, it is recommended that MFIs with collaboration of Construction and Business Banks, Private Banks, Cooperative Banks, and Commercial Banks should create reasonable rate of loan interest for those MSEs which are established by TVET graduates thereby encourage saving their money for the sake of their triumph in the future.
- vii. Currently, TVET graduates need assistance of BDS and readymade display shop or market place for their products. Therefore, it is recommended that in order to provide BDS facility, it is not expected only from the government support, but also other non-governmental and private organizations should be allowed to participate in the process through offering BDS facilities in 'fee per service' procedure. Regarding the lack of market place, in order to alleviate problems of space to display the products of MSE operators that are found in different CIAs in the city, the AAREMSEDA should work in collaboration with the Addis Ababa City Administration to provide free land spaces around the nearest market places to the working places either in lease or in rent.
- viii. Further study in the area of MSEs for youth TVET graduates' self-employment generation should be carried out focusing on the effects of CIAs and upgrading those CIAs into business incubators just like the Mekele City business incubation practices.

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Appendix

Appendix A

Federal Democratic Republic
of Ethiopia, Addis Ababa City
Administration

Urban, Government
and Housing Bureau

ORAAMP

Office for the Review of
Urban Areas

PROPOSED KIFLE KETEMA
&
KEBELES IN ADDIS ABABA

LEGEND

— PROPOSED KIFLE KETEMA
BOUNDARY

— PROPOSED KEBELE
BOUNDARY

— AA CITY BOUNDARY

▨ Private Association

★ Proposed Kifle Ketema Office



Appendix B



Addis Ababa University

College of Education

Department of Business Education (Vocational Education Management)

This questionnaire is developed to be filled by formal and non-formal TVET graduate respondents who are operators of Small and Micro Enterprises.

The purpose of the questionnaire is to get necessary data on the “The Role of Micro and Small Enterprises in Reducing Youth Unemployment of TVET Graduates in Addis Ababa City Administration Cooperative Industry Areas” that enable to identify the prevailing problems of TVET graduates and to indicate possible solutions. Therefore, your frank and sincere response to the questions raised in this questionnaire is extremely vital.

Thank you in advance of your cooperation!

Notice:

- For multiple choice items, you can choose more than one answer if you believe that two or more alternatives are equally important.
- Put a tick "√" mark in the box, if a “Yes” or “No” question existed, otherwise put the alphabet only in the blank space next to the question.
- Identify in which training program you were attended.

No	Type of TVET	Level of TVET	Put a "√" mark
1	Non-formal TVET	Basic level TVET (3-6 months)	
		Junior level TVET (6-10 months)	
2	Formal TVET	10+1 TVET (Certificate)	
		10+2 TVET (Advanced Certificate)	
		10+3 TVET (Diploma)	

Questionnaire

Part I: Questions related to background of the respondents

1. Sex: _____ A. Male B. Female
2. Age: _____ A. 15-24 B. 25-29 C. greater than 30
3. Address: - Sub city _____
4. Marital status:- _____
A. Married B. Single C. Divorced D. Separated E. Widowed
5. Name of the cooperative industry area (CIA) _____
6. Type of your enterprise's production _____
A. Building Construction B. Metal and Wood work C. If any other _____
7. Field of study _____

Part II: Questions related to similarity of the Training and Job of the respondents

8. Is your current job similar to the area which you have been trained for? _____
A. Yes, it is similar B. Yes, in some way similar C. No, completely different
9. Have you been trained with appropriate skills to carryout your present job?
A. Yes B. No
10. Did you get a vocational guidance and counseling service while you were in your TVET institution?
A. Yes B. No
11. Were you joined in apprenticeship program before or after you graduated?
A. Yes B. No

Part III: Questions related to self-employment

12. Were you self-employed before engaged into CIAs?
A. Yes B. No
13. If your answer for question number "12" is item "Yes", what was the major source of income to start and to run your previous business? _____
A. Micro financial institutions (banks) B. Selling household furniture
C. From your previous saving D. Rent part of house
E. Support from relatives F. Support from NGO or government
G. Others specify: _____

14. Please rate the following determinants of self-employment in order to start their own business of TVET graduates in Addis Ababa City Administration?

* Rate [1= No problem, 2= Minor problem, 3= Moderate problem, 4= Major problem, 5= Very severe problem]

No.	Determinants of Self-employment	*Rate (1, 2, 3, 4,5)
1	Lack of loan facilities (poor access to credit)	
2	Insufficient skills and knowledge	
3	Absence of job opportunities in your locality	
4	Lack of working premises	
5	Biased what to do (lack of awareness)	
6	Lack of work experience	
7	Lack of capital to start business	
8	High market competition	
9	Discouraging local market conditions	
10	High level of Taxes	
11	Lack of infrastructure (Electric, water, telephone)	
12	Availability of insufficient raw material	
13	Getting registration is tedious	
14	Government policy towards self-employment	
15	Society attitude towards self-employment	
16	Lack of managerial experience(Entrepreneurship)	
17	Uncertainty about the economy	
18	Crime, corruption and theft	
19	Political instability	

*state if any other: _____

Part IV: Questions related to (un)employment

15. Did you get **wage** employment immediately after your graduation?

A. Yes B. No

16. Were you ready to work other than in government organizations?

A. Yes B. No

17. For how long were you unemployed after graduation? _____

- A. Less than 3 months
- B. Between 4 and 6 months
- C. Between 7 and 12 months
- D. More than 1 year

18. Were you registered as a job seeker for vacancies?

A. Yes B. No

19. If your answer for question number “15” is item “B” that is “No, I didn’t get employment after graduation”, what was/were the major **THREE** reason(s) for **not** getting job (unemployment)? _____

- A. Lack of labor market information system D. Lack of interest to work
B. Lack of access to vacancy advertisements E. Lack of capital
C. Absence of job opportunities in my district F. Insufficient skills and knowledge
I. Others : _____

Part V: Questions related to the status of (under/full)employment

20. For how many hours do you want to work per week?

- A. Greater than 40 hours C. 20-30 hours
B. Between 30-40 hours D. Less than 20 hours

21. What is your enterprise’s current progress of production capacity?

- A. In full capacity B. In medium capacity C. In low capacity

22. Currently, are you looking for another job?

- A. Yes B. No

23. What was your activity of last week (in hour)? Indicate in the following table?

Days	Average daily hours worked	Remark
Day one		
Day two		
Day three		
Day four		
Day five		
Day six		
Day seven		
TOTAL=		

24. In the following Table there are about 11 determinant factors that lead to underutilization are listed, please carefully evaluate each determinant and rank them in order of the major problems you encountered **frequently** in operating your daily activities in your enterprise.

No.	Factors that Lead to Underutilization	Rank
1	Lack of infrastructure (Electric, Water, Telephone, Clinic, Toilet, Road, etc...)	
2	Inadequate skill	
3	Lack of house or distance from residence	
4	Inconvenience of working place	
5	Lack of marketing place	
6	Lack of modern technical instruments	
7	Shortage (low quality) of raw material supply	
8	Existence of similar products with least price.	
9	Personal (health and related) problem.	
10	Lack of willingness of MSE facilitators	
11	Shortage/lack of recurrent finance	

*Others, specify _____

25. Is the market situation is good currently?

A. Yes B. No

26. If the answer is "No" for question number "25", what is(are) the reason(s)? _____

- A. The design and quality of my product is not attractive
- B. Less product finishing output (underutilization)
- C. Competition and lack of demand
- D. Lack of awareness how to handle market Network with customers
- E. Others (specify) _____

27. What is your future plan with your enterprise's activity? _____

- A. Maintain existing production /services scale
- B. Expand the existing enterprise scale
- C. Diversify the existing enterprise
- D. To shutdown the enterprise and seek other job
- F. I don't know
- G. Others specify _____

Part VI: Questions related to the role of MSE for employment

28. Did you know while you were in your TVET center the benefit of Micro and Small Scale Development Agency which was established by the government in order to create employment opportunities for TVET graduates and others in Micro and Small Enterprises activities?

A. Yes B. No

29. Could you tell us the activity you are engaged in before you join in to your enterprise cooperative? _____

- A. Student B. Daily laborer
C. Employed in government business D. Operate my own micro enterprise activity
E. Unemployed (for short or long time) H. Employed in non-government business
I. Others, specify _____

30. Why did you choose to join in the micro and small enterprise activities? _____

- A. I could not have any other option to start my own business
B. Other activities were occupied by many people, so I could not have other option.
C. The cooperative micro and small enterprise activity has good return
D. Because I saw my friends /other people do it
E. Forced by government
F. Others, specify: _____

31. According to your view, the existence of enterprise cooperatives and the industry areas could contribute to create self-employment? A. Yes B. No

32. What was your opinion about this cooperative industry area before you joined here? _____

- A. Positive B. Negative C. I don't know

33. Who motivated you to join into this enterprise cooperative? _____

- A. My family and friends B. Kebele MSE facilitators
C. My vocational counselor D. State if any other: _____

34. Does your income increased after you joined this enterprise cooperative?

A. Yes B. No

35. Do you have saving account that you opened so far?

A. Yes B. No

Appendix C



Addis Ababa University

College of Education

Department of Business Education (Vocational Education Management)

This questionnaire is developed to be filled by MSE facilitator respondents who are involving in Micro and Small Enterprises development.

The purpose of the questionnaire is to get necessary data on the “The Role of Micro and Small Enterprises in Reducing Youth Unemployment of TVET Graduates in Addis Ababa City Administration Cooperative Industry Areas” that enable to identify the prevailing problems of TVET graduates and to indicate possible solutions. Therefore, your frank and sincere response to the questions raised in this questionnaire is extremely vital.

Thank you in advance of your cooperation!

Notice:

- a) For multiple choice items, you can choose more than one answer if you believe that two or more alternatives are equally important.

- b) Put a tick "√" mark in the box, if a “Yes” or “No” question existed, otherwise put the alphabet only in the blank space next to the question.

Questionnaire

Part I: Questions related to background of the respondents

1. Sex:-

A. Male

B. Female

2. Age: _____ A. 15-24 B. 25-29 C. Greater than 30

3. Field of profession _____

Part II: Questions related to the status of (under/full)employment

4. In the following Table there are about 11 determinant factors that lead to underutilization are listed, please carefully evaluate each determinant and rank them in order of the major problems that encountered **frequently** to the daily activities of TVET graduate MSE operators in the CIAs.

No.	Factors that Lead to Underutilization	Rank
1	Lack of infrastructure (Electric, Water, Telephone, Clinic, Toilet, Road, etc...)	
2	Inadequate skill	
3	Lack of house or distance from residence	
4	Inconvenience of working place	
5	Lack of marketing place	
6	Lack of modern technical instruments	
7	Shortage (low quality) of raw material supply	
8	Existence of similar products with least price.	
9	Personal (health and related) problem.	
10	Lack of willingness of MSE facilitators	
11	Shortage/lack of recurrent finance	

*Others, specify _____

Part III: Questions related to the role of MSE for employment

5. According to your view, the existence of enterprise cooperatives and the industry areas could contribute to create self-employment?

A. Yes

B. No

6. Please mention some of the major problems that are aggravating youth unemployment in general and youth TVET graduates in particular in Addis Ababa City Administration?

7. Please point out some of major solutions for the above problems that needs from government or NGOs as priority to expand TVET gradates production so as to obtain more profit as well as to get sustainable employment?

Thank you for your cooperation.

Declaration

I, the undersigned, declare that this thesis is my original work, has not been presented for a degree in any other university and that all sources of materials used for this thesis have been duly acknowledged.

Name Temesgen Abela

Signature 

Date of submission 27/07/07

This Thesis has been submitted for examination with my approval as a university Advisor.

Name Lemma Setegn

Signature 

Date of Approval 27/07/07

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