

Determinantes of Rural Youth Unemployment in Northwest Ethiopia

Yitateku Adugna Agemas¹ and Beneberu Assefa Wondimagegnhu²

Abstract

Youth unemployment is one of the serious challenges facing Ethiopia. It has created several economic and social crises in the country. The problem is high in rural areas in general and the Yilmanadensa district in particular. However, the determinants of youth unemployment in the district are not yet assessed. In light of this problem, the main objective of this study is to identify and examine the determinants of youth unemployment. To realize the specified objective, primary and secondary data sources were used. Primary data were collected employing focus group discussions and semi-structured questionnaires gathered from 197 youths randomly selected in 3 villages/kebeles of Yilmanadensa district. Descriptive statistics, chi-square tests, and binary logistic regression were used to analyze data. The study found that 30.96% of the respondents were unemployed while 69.04% of them were employed at the time of the survey. The binary logit model results show that variables such as work experience, skill mismatch, household income, infrastructure, social network, membership to a cooperative and eligibility of the youth for funding were identified as positively and significantly influence the employment status of the rural youth. On the contrary, access to saving and credit services were found to negatively and significantly influence the rural youth employment in Yilmanadensa district. The findings show that the government and other development stakeholders should build the capacity of the rural youth to make them competent in the labor market. They should also address the problem of infrastructures such as access to road, electric power and vocational schools to improve the skill of the rural youth and strengthen their social networks.

Keywords: Youth, Unemployment, Rural Youth Unemployment, Ethiopia

¹ Lecturer, Department of Rural Development and Agricultural Extension, Mekdela Amba University, Ethiopia
Corresponding Author Email : yitu2009adugna@gmail.com

² Associate Professor, Department of Rural Development and Agricultural Extension, Bahir Dar University, Ethiopia

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Introduction

Youth are driving forces of social, economic and political development in all countries, and the ability of the youth to engage in development activities has an influence on the economy (Nganwa, et al 2015). Countries, organizations, nations, NGOs and civic affiliations have different age categorizations for defining the youth based on several factors. For example in Ghana, Tanzania, and South Africa age is defined between 15 and 35 years whereas Nigeria and Swaziland define it between 12 and 30 years. Botswana defines it between 14 and 25 years (Gyimah-brempong and Kimenyi, 2013). The United Nations (UN) and WHO defines the age of the youth as between 15 to 24 and 10 to 24, respectively. In Ethiopia, the age of youth lies between 15 to 29 years (MYSC, 2004). This has historically been used to capture the duration of transition between formative years and complete maturity. One factor of this transition concerns the movement from education to employment (ILO, 2017).

Unemployment is one of the major challenges facing today's world (Geest, 2010). Unemployed young people are defined as individuals seeking whether full time or part-time employment and available to start work (Skattebol et al., 2015).

The latest ILO estimates put the global youth unemployment rate for 2016 at 13.0 %, just below the crisis top of 13.1 % in 2011 and 2010. However, rising again to 13.1 % in 2017 and 2018. In developing countries, the unemployment rate among youth is expected to remain stable at 9.5 percent in 2017, while in emerging countries it is expected to rise to 13.8 %. The youth unemployment rate is predicted to fall in developed countries, declining from 14.0 % in 2016 to 13.4 % in 2017 (ILO, 2017).

In Ethiopia, the unemployed population in the country is 1,981,165 with an unemployment rate of 4.5 %. This means nearly 5 persons are unemployed out of 100 economically active persons (CSA, 2014). In Ethiopia, several factors contribute to causes of youth unemployment such as negative financial performance, low education level, low entrepreneurship, mismatch skill and low awareness among the youth (Nayak, 2014). In rural areas of Ethiopia, several negative effects of youth unemployment like starvation of the youth and their family, serious social problems, affect the country's economy and make youth vulnerable to prostitution, hopelessness in education and joining armed groups rebelling against the government. This has taken the country to the violent circle of civil war and instability (HiruyWubie, 2012).

Most studies done in the country focus more on urban youth unemployment. Therefore, the research contributes to identifying the determinants of rural youth unemployment taking Yilmanadensa district of Northwest Ethiopia as a case study. The results provide information for designing relevant programs and strategies to reduce the problem of youth unemployment in the study area.

Materials and Methods

Description of the Study Area

The study was conducted in Yilmanadensa district, which is found in the Amhara region, Northwest Ethiopia. It is situated about 42 km from the regional city, Bahirdar. The district is bounded by 35 kebeles/villages. Agriculture is the backbone of the community's livelihoods in the district, which is dominated by mixed farming (both crops and livestock production). The area is suitable for production of improved and high market value crops.

Methods of Sampling and Data collection

The study used a cross-sectional study design. The target population consists of youth aged between 15 and 29 years at the time of the survey, and who reside in the district. Quantitative and qualitative data were collected from primary and secondary sources. The primary data was gathered through semi-structured questionnaires whereas secondary data were collected from published and unpublished documents. Probability and non-probability sampling techniques were used. At the first stage, Yilmanadensa district was purposely selected, and in the second stage, three kebeles were selected out of 35 kebeles/villages (i.e. Danbasha, Debrermewi, and Goshiye) purposely. This is because the district youth office in 2018 reported that these kebeles/villages have the highest youth unemployment rates. In the third stage, sample youth were selected from the sample kebeles using systematic random sampling technique from the total number of youth in the three villages. The total Population in three kebeles is 9560, whereas 5927 of them are the youth between 15-29 years. There are several approaches to determine the sample. This study applied the simplified formula provided by Yamane (1967) to determine the sample size.

The formula is given as: $n = \frac{N}{1 + N(e)^2}$

Where n is the representative sample size, N is the total youth population, and e is the desired level of precision. For a 93% confidence level, the researchers have selected the representative sample of:

$$n = \frac{5927}{1 + 5927(0.07)^2} = 197$$

Moreover, the researchers applied the proportional probabilistic sampling technique and have selected 197 youths from Debremewikebele(73 respondents), from Danbashokebele(57) and 66 respondents from Goshiyekebele.

Method of Data Analysis

Descriptive and econometric analyses have been employed to meet the main objective of the study. Descriptive statistics, chi-square tests, and binary logit model were used as analysis methods. The logistic regression model to identify the major determinants of rural youth unemployment is explained: -

$$\text{Log} \frac{P(i)}{1-P(i)} = \ln(\text{odds}) = B_0 + B_1X_1 + B_2X_2 + B_3X_3 + B_4X_4 + \dots B_nX_n \quad (1)$$

The corresponding multiplicative model for the odds is: -

$$\text{Log} \frac{P(i)}{1-P(i)} = \exp B_0 + B_1X_1 + B_2X_2 + B_3X_3 + B_4X_4 + \dots \dots \dots + B_nX_n \quad (2)$$

Where P(i) is the probability that ith respondent is unemployed and (1-P(i)) is the probability that the ith respondent is employed at the time of the survey, Bi's are the regression coefficients and the Xi's are the set of independent variables influencing employment status. From the Bi's, the odds ratio is estimated as exp(B). And the choice of the Logit model has certain advantages like simplicity and ease of interpretation (Fernando, 2011).

Definition of variables, measurements, and hypothesis

The dependent variable is employment status and it is dichotomies or dummy variable: where it represents (0) when the rural youth is unemployed and (1) when the rural youth is employed. Based on the theoretical background and different empirical studies, the following variables are hypothesized to influence youth employment status in the study area.

Table 1: Summary of independent variables that potentially influence employment status

Variables	Description	Values/Categories	Expected sign
Sex	Sex of the respondent	0 = female and 1 = male	+
Age	Age of the respondent	Continuous variable	+
Migrant status	Migrant status of the respondent	0 = migrant 1 = non-migrant	+
Marital status	Marital status of the respondent	0 = married and 1 = otherwise	–
Work experience	Work experience of the respondents	0 = no work experience 1 = has work experience	+
Skill mismatch	The relationship between the skill the respondents have and the market need	0 = skill mismatch 1 = skill match	+
Household income	Monthly Level of income in the household of the respondent	0 = ≤ 400 birr, 1 = 401-800 birr, 2 = 801-1500 birr, and 3 = above 1500 birr.	+

Saving and credit service	Access to credit saving service for the respondents	0 = no access to credit 1 = has access to credit	+
Education	Educational category ranging from illiterate to higher education	0 = illiterate 1 = primary education 2 = secondary education 3 = Higher education	+
Access of road	Access of road and electric power in respondent	0 = no 1 = have access	+
Social network	Availability of social network for the respondent	0 = no network 1 = $\leq$ person networks 2 = > 3 persons networks	+
Member of cooperative	Member of cooperative Respondents	0 = not 1 = member	+
Eligible for funding	¹ Eligible for the government revolving fund	0 = if not eligible 1 = if eligible for the fund	+

Results and Discussion

Results of Descriptive Statistics

In this study, respondents were asked about their employment status in the last 15 days prior to the survey date. The survey result shows that out of the 197 respondents, the majority of the respondents (69.04%) were employed. The rest of the respondents (30.96 percent) were found to be unemployed at the time of the survey.

¹ The Ethiopian government allocates revolving fund for the Ethiopian youth as indicated in the country's proclamation no. 995/2017, with an objective of the attaining the development goals of the country by encouraging the direct participation of the youth in the economic activities of the country.

Table 2: Characteristics and Employment Status of Respondents Based on Demographic Factors

No	Variable	Category	Unemployed		Employed		Total		chi-square (X2)
			No	%	No	%	No	%	
1	Sex	Female	13	21.31	41	30.15	54	27.41	1.6522
		Male	48	78.69	95	69.85	143	72.59	(0.199)
2	Age	15-19	32	52.46	28	20.59	60	30.46	21.4006***
		20-24	19	31.15	83	61.03	102	51.78	(0.000)
		25-29	10	16.39	25	18.38	35	17.77	
3	Marital Status	Married	7	11.48	47	34.56	54	27.41	11.2773***
		Un married	54	88.52	89	65.44	143	72.59	(0.001)
4	Migration status	Migrant	4	6.56	17	20.50	21	10.66	1.5616
		Non migrant	57	93.44	119	87.50	176	89.34	(0.211)

Source: own survey (2019)

***, **, * significant levels at 1%, 5%, and 10%, respectively P-values are in parenthesis

From the sample respondents, 72.59 % of them were males while the rest 27.41% of them were females (Table 2). Of the total respondents, 21.31% of females and 78.69% of males were unemployed. The unemployment rate for males and females respectively was 33.5% and 24.0%. The chi-square test indicates that there is no statistically significant association between sex and employment status.

The other important demographic variable is age. As indicated in Table 2, 30.46%, 51.78%, and 17.77% of the respondents were aged between 15-19, 20-24, and 25-29, respectively. The unemployment rate for ages between 15-19, 20-24 and 25-29 were 53.33%, 18.62%, and 28.57%, respectively. The test of association between unemployed and employed respondents in terms of age groups was found to be significant ($\chi^2 = 21.4006$, $P < 0.01$).

In addition, 27.41% of the respondents were married but 72.5% were non-married. Out of the total unemployed respondents, 88.52% of them are non-married while only 11.48% of them were married (Table 2). The unemployment rate of married and non-married respondents was 12.96% and 37.76%, respectively. The test of association was found to be significant ($\chi^2 = 11.2773$, $P < 0.01$).

The other important demographic variable is the migration status. Out of the total respondents, 10.66 % of them are migrant respondents and 89.34% of the respondents were non-migrants. Out of the total unemployed respondents, 93.44% of them are non-migrants while only 6.56% of them are migrant respondents (Table 2). The unemployment rate for migrants and non-migrant was 19% and 32.38%, respectively. However, the chi-square test results show the association between the groups is not statistically significant.

Table 3: Characteristics and Employment Status of Respondents Based on Socio-Economic Factor

Variable	Category	Unemployed		Employed		Total		chi-square (X2)
		No	%	No	%	No	%	
Education Level	Illiterate	20	32.79	28	20.59	48	24.37	11.8473
	Primary	27	44.26	43	31.62	70	35.53	(0.008)***
	Secondary	12	19.67	46	33.82	58	29.44	
	Higher educ	2	3.28	19	13.37	21	10.66	
Work Experience	No experience	48	78.7	30	22.59	78	39.59	56.4653
	have experience	13	21.3	106	77.94	119	60.41	(0.000)***
Skill Match	Mismatch	36	59.02	19	13.97	55	27.92	42.4612
	Match	25	40.98	117	86.03	142	72.08	(0.000)***
Social Network	No any	43	70.49	21	15.44	64	32.49	61.9236
	<=3persons	17	27.87	73	53.68	90	45.69	(0.000)***
	>3persons network	1	1.64	42	30.88	43	21.83	
Access to Credit and saving	No access	23	37.70	25	18.38	48	24.37	8.5317
	Has access	38	62.30	111	81.62	149	75.63	(0.003)***

Infra-structure	No access of road and electric power	40	65.57	41	30.15	80	41.12	21.830 (0.000)***
	Has access	21	34.43	95	69.85	116	58.88	
Household income	<=400 birr	51	83.61	25	18.38	76	38.58	77.7356
	400-800 birr	1	1.64	54	39.71	55	27.92	(0.000)***
	800-1500 birr	4	6.56	31	22.79	35	17.77	
	>1500 birr	5	8.20	26	19.12	31	15.74	
Member of Youth cooperative	No member	46	75.41	55	40.44	101	51.27	20.6111
	Member	15	24.59	81	59.56	96	48.73	(0.000)***
Eligible for revolving fund	Not eligible	60	98.36	75	55.15	135	68.53	36.4628
	Eligible	1	1.64	61	44.85	62	31.47	(0.000)***

Source: own survey (2019)

***, **, * significant levels at 1%, 5%, and 10%, respectively P-values are in parenthesis

Among the socio-economic factors, education is also one particular factor. As shown in Table 3, 24.37% of the respondents were illiterate, 35.53% have primary education, 29.44% in secondary education, and 10.66% of the respondents were at higher education level. Out of the total unemployed respondents, 32.79%, 44.26%, 19.67%, and 3.28% of them were illiterate, in primary education, secondary education, and higher education, respectively. The unemployment rate of illiterate, primary education, secondary education, and higher education respectively was 41.6%, 38.57%, 20.6%, and 9.52%, respectively. The chi-square test confirmed that the association was statistically significant ($\chi^2 = 11.8473$, $P < 0.01$).

Work experience was the other factor of youth employment status. As shown in Table 3, 39.59% of the total respondents did not have any experience but 60.41% were having experience. Out of the unemployed respondents, 78.7% of them are not experienced while only 21.3% of them have work experience before the survey date. The unemployment rate for respondents with experience and no experience are 10.92% and 61.53%,

respectively. The test result also reveals the association was statistically significant ($\chi^2 = 56.4653$, $P < 0.01$).

Another important variable is the match between the skill they acquired and the demand in the market. From the total respondents, only 72.8% of them had the skill they have directly matched with what is demanded by the market, while 27.08 % of them believe the existence of skill mismatch. About 59.02% of the skill mismatch was found among the unemployed groups (Table 3). From the sample respondents, the unemployment rate for those respondents with skill mismatch was 65.45%. The test of association was found to be significant ($\chi^2 = 42.4612$, $P < 0.01$).

It is known that information plays a major role in any activity. As shown in Table 3, the level of networking with the employment status of the respondents was examined. Based on the survey, 32.49% of them replied that they have no network while 45.69% and 21.83% have ≤ 3 and more than 3 number of networks which could potentially help them for job searching, respectively. Out of the total unemployed respondents, 70.49% had no network and 27.87%, and 1.64% of the respondents have ≤ 3 and above 3 networks, respectively. The unemployment rate for those without any network, with ≤ 3 and above 3 networks was 67.18%, 18.88% and, 2.32%, respectively. The test of association result indicates the existence of a statistically significant association between employed and unemployed groups in terms of a social network ($\chi^2 = 61.9236$, $P < 0.01$).

In Table 3, the result also shows that only 75.63 % of the respondents have access to credit and saving services while 24.37% of them do not. Out of the total unemployed respondents, 37.70% had no access to credit and saving service, and 62.30 % of the respondents have access to credit and saving service. The unemployment rate of individuals from respondents without access to credit and saving services was 47.91% while respondents with access to credit and saving services were 25.5 %. The test result revealed the existence of association between the employment status groups in terms of access to saving and credit services ($\chi^2 = 8.5317$, $P < 0.01$). Similarly, 41.12% of the respondents had no access to road and electric power while 58.88% of them had access to road and electric power. From the total unemployed respondents, 65.57% of the respondents had no access to road and electric power, and 34.43% of access to road and electric power were unemployed (Table 3). The unemployment rate for not access to road and electric

power and access to road and electric power respectively was 81.38% and 18.10%. The test of association result indicates the existence of a statistically significant association between infrastructure and youth employment status ($\chi^2 = 21.830$, $P < 0.01$).

From the total respondents, 38.58 % of them replied that their families' monthly income is ≤ 400 birr, whereas 27.92%, 17.77% and 15.74% of them had a household income ranging from 500-800, 900-1500 and above 1500 birr, respectively. From the total unemployed respondents, 83.61%, 1.64%, 6.56%, and 8.20% of them had a household monthly income of ≤ 400 , 400-800, 800-1500, and > 1500 , respectively (Table 3). The chi-square test exhibited a significant association between household income and youth employment status at ($\chi^2 = 77.7356$, $P < 0.01$).

Another important variable is the membership of the youth cooperative. From the total respondents, 51.27 % of them were not members of the youth cooperative, while 48.73 % of them were members. And also 75.41% of the unemployed respondents were not members of the youth cooperatives. (Table 3). From the sample respondents, the unemployment rate for those who are not members of the youth cooperative was 45.5%. The test result indicates the existence of a statistically significant association between employed and unemployed groups in terms of membership to youth cooperatives ($\chi^2 = 20.6111$, $P < 0.01$).

Moreover, about 68.53% of the total respondents were not eligible for a government revolving fund, while 31.47% of them were eligible for the fund. Besides, 98.36% of unemployed respondents were not eligible for funding depicting that only 1.64% of them were eligible for the fund (Table 3). From the sample respondents, the unemployment rate for individuals who were not eligible was 44.4% while those eligible for funds was 1.61%. The test of association revealed the existence of association between employed and unemployed groups in terms of their eligibility for fund ($\chi^2 = 36.4628$, $P < 0.01$).

Determinants Influencing Rural Youth Unemployment

In this section, attempts have been made in explaining the determinants of rural youth unemployment employing the logit model.

In the model, a total of 13 variables that could potentially affect the rural youth unemployment was considered. Among them, 9 of the variables were found to be significant variables that affect rural youth unemployment. Hence, the relationship and the magnitude of influence of significant variables are analyzed below.

Table 4 Output for the Logistic Regression Model

Variables	Coef.	Odds ratio	Robust Std.err	Z	p>z	(95%conf. Interval)	
Sex	.1938031	1.213857	1.071923	0.22	0.826	.2150282	6.852355
Age	.3322282	1.394071	.8200524	0.56	0.572	.4401205	4.415686
Migration status	-2.892309	0.55448	.0954772	-1.68	0.093*	.0018975	1.620277
Marital status	-1.883412	0.1520703	.1763896	-1.62	0.104	.0156573	1.476969
Education	.1907906	1.210206	.3787497	0.61	0.542	.6553337	2.234878
Work experience	2.150963	8.59313	5.877944	3.14	0.002***	2.248565	3283956
Skill match	2.95333	19.16969	20.96785	2.70	0.007***	2.246822	163.5541
Household income	.9782775	2.659871	.9923373	2.62	0.009***	1.280255	5.526173
Saving and credit service	-1.829856	0.1604367	.1748297	-1.68	0.093*	.0189557	1.3579
Infrastructure	2.107535	8.227938	6.138891	2.82	0.005***	1.906368	3551201
Net work	2.263537	9.617046	6.536979	3.33	0.001***	2.537791	36.44413
Member of cooperative	1.689989	5.419422	4.481046	2.04	0.041**	1.071859	27.40113
Eligible for fund	2.749548	15.63556	16.07012	2.68	0.007***	2.085712	117.2121
Constant	-2.186636	.1122938	.1488337	-1.65	0.099	.0083594	1.508462

Number of obs =197

Wald chi2 (14) =73.77 likelihood = -34.117274

Prob> chi2 =0.0000

Pseudo R2 = 0.7201

Source: own survey (2019) ***, **, * significant levels at 1%, 5%, and 10%, respectively

Migration status

As was hypothesized, the migration status of individuals affects their employment status negatively and significantly. The odds of being unemployed for individuals who are migrants were 0.55 times lower than those individuals who are non-migrants (Table 4). The study found that the youth who came from different areas (those who were not originally from the area) reduced the challenge of unemployment. It seems that migrants may have better opportunities to gain more experience from other areas such as on how to diversify their livelihood, which contributes to improving their employment status. On the contrary, non-migrants, particularly from rural areas who had low levels of training and weak social networks, experience higher risk of being unemployed.

Work experience

In line with the hypothesis, work experience positively affects employment status at a 1% significance level. These results indicate that the odds of being unemployed increase by 8.59 times if the individual has no work experience than those with experience (Table 4). This might be because employers are usually not interested to hire young people who have little or no practical work experience. The result is consistent with the results of Dejene Terefe, et al., (2016).

Skill mismatch

It is supposed that a mismatch between the skills acquired and what is demanded in the labor market would keep the youth without a job. As shown in Table 4, skill mismatch and employment status are positively associated at a 1% significance level. The odds ratio of being unemployed increases by 19.17 times if the individual's skill and the demand by the market did not match. It was found that skill mismatch and unemployment have positive and significant associations.

Household income

Household income was also found to influence the employment status of youth in the study area positively and significantly. The odds of being unemployed for those individuals who lived in a household monthly income of ≤ 400 Birr were 2.66 times higher than a household earning monthly income of 500-800 Birr, 900-1500 Birr and above 1500 Birr (Table 4).

This might be linked with the fact that individuals who have higher household income could get a start-up capital to start their own business and thus get employment. The result was in line with the findings from DejeneTerefe et al., (2016).

Access to credit and saving services

Access to saving and credit services has a significant effect on the chance of employment. The chance of being unemployed for those who had no access to saving and credit services was 0.16 times lower than those who had access to saving and credit services. The relationship was negative and significant at a 10% significance level (Table 4).

Road and electric power

The chance of being unemployed for those who had no access to road and electric power was 8.23 times higher than those who had access to road and electric power. The relationship was found to be positive and significant at a 1% significance level (Table 4). Individuals who are farther from road and electric power access incur higher business risk and cost, which is a challenge for job creation, access to inputs and complexity to develop market chain and information. The finding is in line with Abshoko (2016).

Social network

Individuals who do not exploit personal networks could miss job opportunities available through personal networks. As indicated in Table 4, the odds of being unemployed increase by 9.62 times if individuals have no network compared to those individuals who have ≤ 3 and more than 3 networks, who could help them in finding a job. The relationship was positive and significant at a 1% significance level. The findings of this study confirm that the youth who have a deficit in social networks increase the probability of unemployment as having a better social network could make individuals access more information about job opportunities. Various studies confirmed on the necessities of building social networks in improving and creating job opportunities and minimizing unemployment (Abshoko, 2016), (Asalfew, 2011), (BachaBerhanu, 2014) & (MulugetaSefinew, 2013).

Member of Youth cooperatives

Member of youth cooperative is found to influence the employment status of youth in the study area with a positive and significant relationship. The odds of being unemployed increases by 5.42 times for those young individuals who are not members of the youth cooperatives than those who are members (Table 4). Those individuals who are not members of the cooperatives have fewer opportunities to communicate and share experience with other members, which could potentially help them to work together and discuss ideas on creating jobs with friends.

Eligibility for government revolving fund

In the study area, the government allocates revolving budget to minimize youth unemployment. The results show that the odds of being unemployed increase by 15.64 times if individuals are not eligible for the fund compared to the youth who are eligible for the fund. The study implies that respondents who did not meet the eligibility criteria for the fund such as inability to organize in a group or set to collateral could not take the fund. This implies that the youths who are not eligible or qualified for the revolving fund contribute to unemployment. The revolving fund has lower interest rate and longer repayment periods than other credit sources, that creates a conducive environment for the youth to start-up their own business.

Conclusion and Recommendations

The study found that the problem of youth unemployment is determined by diverse socio-economic and demographic factors. The result indicates that the factors determining in Yilmanadensa district youth unemployment are, members of cooperative, work experience, skill mismatch, household income, access of road and electric power, social network and eligible for revolving fund. Generally, the socio-economic factor reduces the chance of employment opportunities of the rural young people in rural areas.

Based on the findings of the study, the following points are recommended to decrease the unemployment of young people in rural areas. The government and concerned bodies should

- * motivate or improve rural youths to organize themselves in different groups or cooperatives and improve their social network:
- * enhance capacity building programs to improve the match between the skill of rural youth and current employment opportunities.
- * improve access and quality of road and electric power in rural areas.
- * strengthen the youth association and increase the availability of initial working capital
- * identify profitable business areas and the provision of practical training for rural youths to enhance their engagement and participation in non-farm activities.

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