

CHAPTER III: ECONOMIC DEVELOPMENT AND INDUSTRIALIZATION

- ❖ Distribution and Concentration Of Industries
- ❖ Distribution of Work Force
- ❖ Dependency Burden
- ❖ Informal Business

The economic base of early 20th century Addis Ababa was typical of a consumer city, i.e., one where taxes, tributes and tithes were the principal source of income. Today, Addis Ababa has a diversified economy, being the main center of public administration, commerce, manufacturing, finance, real estate and insurance (UN-Habitat, 2007). In current Ethiopian situation, where population is growing at an increasing rate and substantial increase in urban population is taking place, accompanied by high unemployment rates resulting from educational attrition/dropouts, retrenchments, dislocations, unavailability of formal sector employment opportunities, and a host of other factors, the micro, small and medium scale enterprise sectors need to be given urgent and due attention to foster development (Worku & Daniel, 2004).

Of the industrial establishments that are found in the country, more than 65% are situated in the Addis Ababa city (EPA, 1999). However, the majorities are food and beverage, Textiles, Tanneries, Chemicals, rubber and plastics, paper and paper products, metals and nonmetallic mineral products and wood industries. Since 2002, in Addis Ababa different sectors of Micro and Small scale enterprises are established and working in collaboration with government organizations, Nongovernmental organizations, investors, and with different social affairs associations. Based on the data obtained from the report of Addis Ababa Micro and Small Enterprises development Agency, starting from 2002 to January 2010, 6471 Micro and Small Enterprises (MSEs) were established under six main sectors for development (i.e. Metal and wood works, textile and garment, construction, food preparation, municipality house, city agriculture and others).

MSEs industries occupy place of strategic importance in any economic structure. They play a key role in the industrialization and development of a country. This is because, they provide immediate large scale employment, compared to higher capital intensive industry they need lower investment, offer a method of ensuring a more equitable distribution of national income and facilitate an effective mobilization of resources, capital and skill(AACG, 2010). Hence, Ethiopian government has given a due emphasis to small scale industry sector which have a significant contribution to the development of the country.

As a result, the city has experienced rapid industrial development since 2002. This is mainly because of the fact that the city is the only largest city in the country with the capacity to attract various professionals from other parts of the country and from abroad. Strategically, the city is located at the center of the country and is very accessible to all parts of the country.

The methodology used to assess the economic development of the study area is presented as follows. First data pertaining to different economic activities of the city was collected. These data include: temporal variations in the growth of micro and small scale industries. These types of industries are given important attention by Ethiopian government due to their significance in labor absorption. The second type of data included here is the labor force participation which is essential to know whether persons were engaged in economic productive activities. The third type of data collected for the assessment of the status of economic development of the study area is the employment status of the study area. This was mainly intended to assess the trends in unemployment and changes in economic development when measured in terms of employment opportunities. The fourth type of data incorporated in this chapter is data related to the role of the informal economic sector. These data were obtained from Addis Ababa City Government Bureau of Economic Development in the form of published and unpublished documents. Then, they were tabulated so as to easily analyze and discuss important points.

DISTRIBUTION AND CONCENTRATION OF INDUSTRIES

By 2001, there were 15 major industries in Addis Ababa. The most important of which were: food and beverage, furniture, leather, paper and printing, non-metallic mineral products, metallic products and textiles. There were more than 105,832 manufacturing industries operating, of which 79 were state owned, 2,674 were large and medium sized private enterprises, and the remaining 102,907 were micro to small-scale private enterprises. Except for some very old enterprises, most of the large and medium industries in Addis Ababa are located in industrial zones, such as the Akaki (old) -Kaliti (new expansion) Industrial Zone. In 2003, there were 272 small, medium and large industries in Akaki-Kaliti industrial zone alone. Between 2003 and 2004, a total of 89 new industrial establishments were recorded in Akaki – Kaliti Industrial Zone (AACG, 2010). However, though Akaki Qaliti has continued as a

major industrial zone of the city, industrial/manufacturing establishments have been also seen in all sub cities of the city as it is depicted in Fig-3.1.

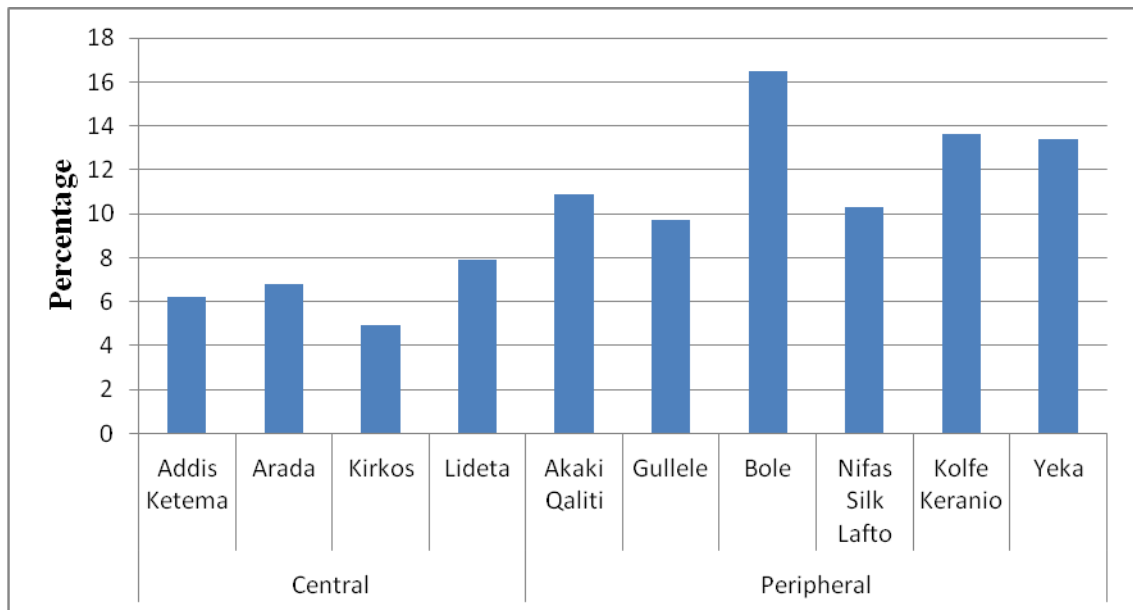


Fig-3.1 Distributions of Micro and Small Industries

As it is described in Table-3.1, between 2002 and 2010 period about 6471 micro and small scale industries were developed in the study area. The construction sector is the leading in a number (1726), followed by metal and wood works (1041). Industries such as food processing, and textile & garment have also a substantial share taking the third and fourth positions respectively. **As details are presented in Table-3.1, the maximum proportion of MSEs were found in Bole sub city constituting about 16.5 percent, followed by Kolfe(13.6 percent), Yeka being the 3rd constituting about 13.4 percent of the total. Akaki and Nefas Silk Lafto contained a substantial number of MSEs forming the 4th and 5th ranks with 10.9 and 10.3 percent of the total. The lowest proportion (4.9 percent) is found in Kirkos sub city.**

Table-3.1 Distribution and Concentration of Micro and Small Scale Industries According to Sub Cities (2002-2010)

Sub city	Sectors								Total	Percentage
	Textile & Garment	Construction	Metal & Wood Works	Food Processing	Municipality House	City Agriculture	Cobble Stone	Others & Parking		
Lideta	31	152	48	78	36	16	30	118	509	7.9
Akaki Qaliti	35	236	48	92	30	101	-	161	703	10.9
Gullele	188	191	24	87	32	25	51	30	628	9.7
Bole	34	310	174	132	89	107	-	219	1065	16.5
Nifas Silk Lafto	20	146	237	76	76	42	8	60	665	10.3
Kolfe Keranio	56	118	228	153	44	41	12	226	878	13.6
Yeka	20	254	77	70	38	52	-	357	868	13.4
Addis Ketema	33	132	112	56	35	32	-	-	400	6.2
Arada	94	51	63	77	40	21	14	77	437	6.8
Kirkos	23	136	30	68	37	24	-	-	318	4.9
Total	534	1726	1041	889	457	461	115	1248	6471	100.0

Source: AACG, 2010

Coble Stone Industry was limited to sub cities where these stones are used to rehabilitate the demolished roads. Therefore, the majority of them are found in peripheral sub cities such as Gulelle, Nefas Silk Lafto and Kolfe Keranio. Lideta and Arada are the two central sub cities in which cobble stone is used as construction of roads. According to AACG (2010), the cobble stone sector is becoming the leading absorber of unemployed people particularly those who are formerly known by illegal drugs, street dwellers, etc. Hence, this sector has significant social implications(Plate-3.1) .



Source: AACG, 2010

Plate-3.1 Work Force Employed With Coble Stone Industry.

It can be evident from Table-3.1 that like in Akaki Qaliti, industries are also concentrated in other sub cities of Addis Ababa. This shows that there has been an increase in the number and type of industries in the study area. This is a major mark for economic development.



Source: AACG, 2010

Plate-3.2 Workers Employed With Construction Sector of Industrial Activity

DISTRIBUTION OF WORK FORCE

Job Availability for Urban Labor Force

As shown in Table-3.2, during 2000-2010 a total of 74,457 new job opportunities had been created by small and micro enterprises. Construction sector was the leading in providing job opportunities, followed by wood and metal works. The maximum number of jobs was created in 2000.

An analysis of change in growth rates of job opportunities over a period of 10 years from 2000- 2010 show that the rate at which job had been created do not go in line with the rate of population growth of the study region. In all sectors of job opportunities, a declining trend had been observed. The highest annual growth rate was observed in municipal activities and the lowest was in textile and garment.

It can also be evident from Table-3.2 that there are temporal variations in the actual number of people employed in different categories of sectors. In 2005, food processing sector was leading in providing job while construction sector came second. During this

year, the least sector in providing job was municipal sector. In 2010, construction and municipal sectors were the first and the second in absorbing labor force respectively.

Assessment of the Pattern of Work Force

Details as are presented in Table-3.3 show that the labor force participation rate in the study area has been showing an increasing trend. There has been better change for females than males. In 2000, labor force participation rate for males was 60.5 percent and by 2010 this figure was increased only by about 1 percent. However, there was an increment of 2.6 percent between the year 2000 and 2010. Regarding employment to population ratio, there was an increasing trend over those years (2000 to 2010).

Table-3.2 Distribution of Workers during the Year 2000-2010

Workers Category	Annual trends				Growth Rates	Annual growth Rates
	2000	2005	2010	Total	2000-2010	2000-2010
Textile and garment	8408	781	384	12649	-95%	-9.5%
Wood and metal work	14658	834	893	18801	-94%	-9.4%
Food processing	9046	997	1083	12575	-88%	-8.8%
Construction	16282	912	1974	22580	-88%	-8.8%
Municipal activities	4052	699	1974	7852	-51%	-5.1%
Total	52446	4223	6308	74457	-88%	-8.8%

Source: AACG, 2010

Table-3.3 Labor Force Participation, Employment to Population Ratio and Unemployment Rate

Sex	Labor Force Participation Rate		Employment to Population Ratio		Unemployment Rate	
	2000	2010	2000	2010	2000	2010
Total	60.5	64.5	42.9	47.2	29.1	26.9
Male	69.5	70.4	54.0	57.9	22.3	17.9
Female	52.7	59.4	33.3	38.0	36.8	36.1

Source: AACG, 2010; CSA, 2010

As details are presented in Table-3.3, labor force participation rate of the city showed an increasing rate over the period under the study (2000- 2010). In 2000 the percentage of economically active population (work force) of the city was 60.5 percent. Over the period of these ten years, this figure was increased by 4 percent. Sex wise distribution of work force shows the proportion of male workforce was greater than that of female counterpart. However, the percentage change among female work force was faster.

With regard to employment to population ratio, similar trend had been observed over the period under the study. There was a wide gap between male and female population of the city in that more proportion of the male population were employed than the female population. As can be seen from the Table-3.3, unemployment rate of the city had been showing a declining trend. Between 2000 and 2010, the rate was reduced by 2.2 percent. The rate was reduced by 4.4 percent among male population, while it was only reduced by 0.7 percent among female population. This shows us that unemployment is more pronounced among the females than males. The unemployment rate in the city ranges from 17.7 percent in the Bole sub city to 27.2 percent in the Addis Ketema sub city (Fig-3.2).

Distribution of Work Force According to Sub Cities

As indicated in Table-3.4 & Fig-3.3, the proportion of economically active population was more concentrated in Kolfe Keranio sub city (15 percent) than any other sub city, followed by Yeka and Bole constituting about 13 and 12 percent respectively. Lideta, Kirkos and Arada are sub cities in which smaller proportion of the work force is concentrated. As far as employed proportion is concerned, still Kolfe Keranio with 15 percent of its working force being employed is first, followed by Bole, Yeka and Gulelle constituting 13, 12 and 10 percent of the total employed persons respectively.

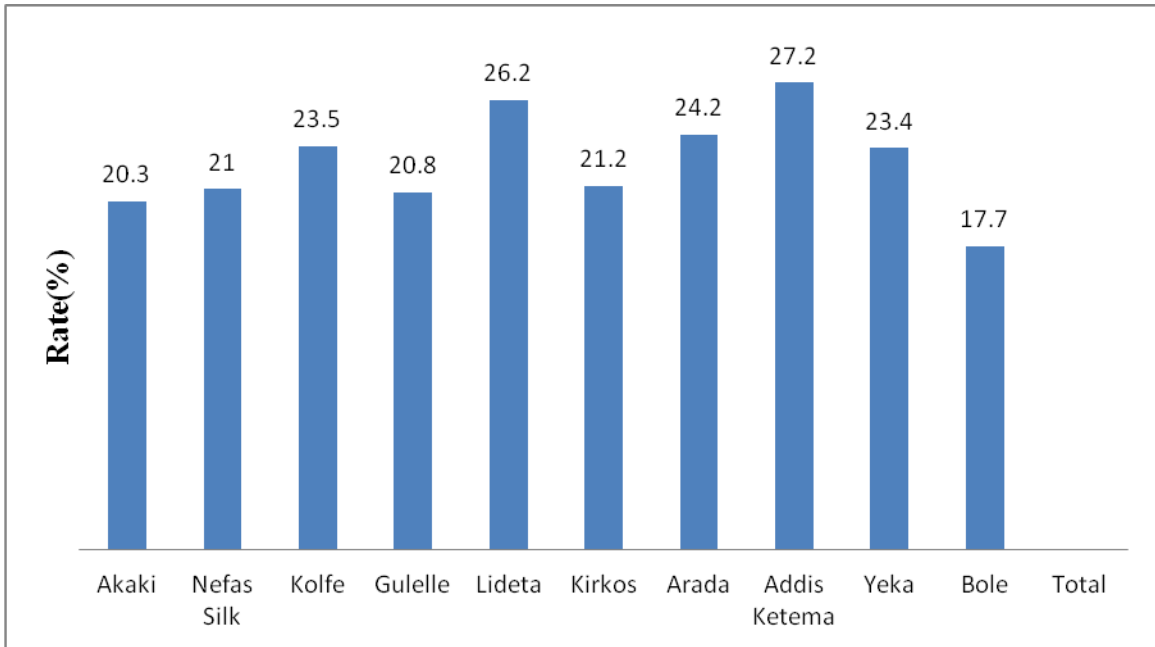


Fig-3.2 Unemployment Rate of the Study Area

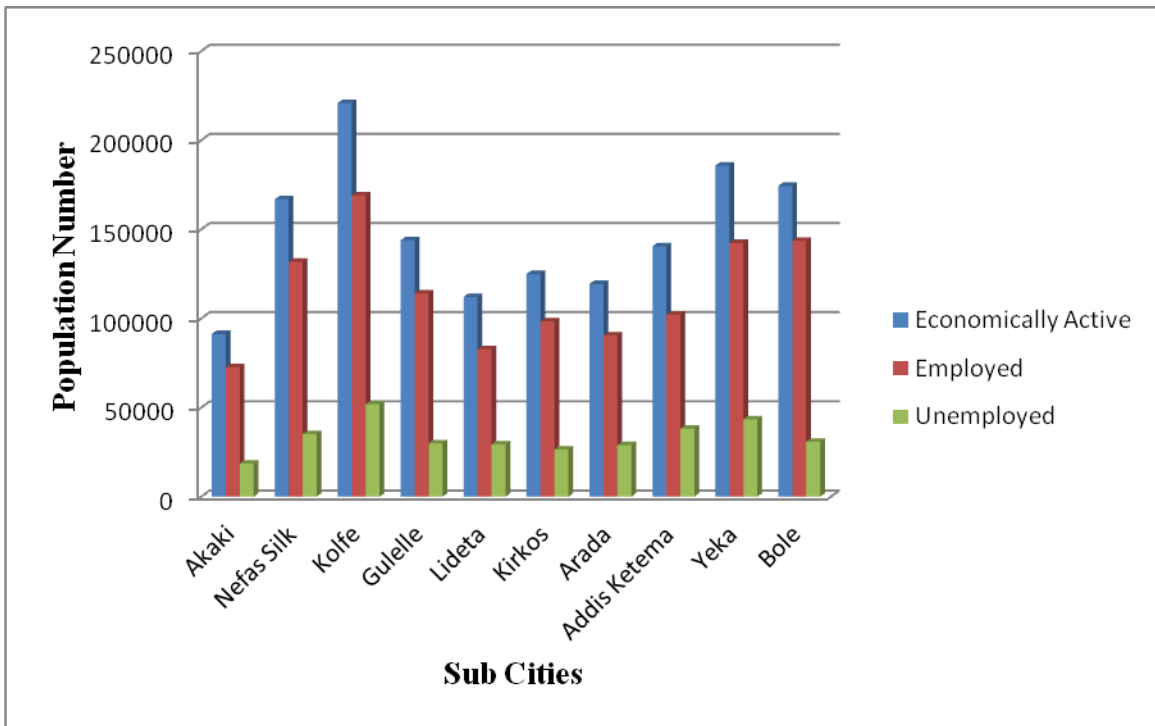


Fig-3.3 Distribution of Work Force According to Sub City of the Study Area

Table-3.4 Distribution of Workforce According to Sub Cities of the Study Area

Sub City	Economically Active	%	Employed	%	Unemployed	%	Unemployment Rate
Akaki	91,272	6	72,741	6	18531	6	20.3
Nefas Silk Lafto	166,849	11	131,738	11	35,111	11	21.0
Kolfе Keranio	220,875	15	169,065	15	51,810	16	23.5
Gullelle	143,917	10	113,993	10	29,924	9	20.8
Lideta	112,079	8	82,714	7	29,365	9	26.2
Kirkos	124,924	8	98,404	9	26,520	8	21.2
Arada	119,354	8	90,450	8	28,904	9	24.2
Addis Ketema	140,413	9	102,229	9	38,184	11	27.2
Yeka	185,740	13	142,366	12	43,374	13	23.4
Bole	174,335	12	143,507	13	30,828	9	17.7
Total	1,479,758	100	1,147,207	100	332,551	100	100.0

Source: CSA, 2010

Distribution of Employees According to Type of Employment

Table-3.5 reveals that the trend in the proportion of government employees was declined between the year 1994 and 2007, from 35.5 percent to 20.8 percent. The trend in the proportion of private/non government workers and self employed workers showed increment by 1.7 percent and 2 percent respectively. A very high positive trend was observed in the proportion of domestic workers which increased from 1.0 percent in 1994 to 15.2 percent in 2007. Though cooperatives are believed to be very much important in the reduction of the unemployment rate of the city, it had very much limited share in employing the labor force of the city, and it had grown only by about 10.7 percent annually. Compared to others, it is very low.

An analysis of annual growth rate of change of temporal variations of employees show that the annual growth rate of self employed workers (227.6 percent) was by far greater than that of other form of employment. Domestic jobs were also grown by highest

rate (197.0 percent annually). Negative growth rate was seen among employers (-3.5 percent annually)(Fig-3.4).

Table-3.5 Distribution of Employees According to Type of Employment

Type of Employment	1994		2007		Change (Annual Growth Rate)
	Total	%	Total	%	
Government	223,233	35.5	259,568	20.8	1.3
Private	189,033	30.1	396,703	31.8	8.5
Domestic	6,194	1.0	189,505	15.2	197.0
Self Employed	156,901	25.0	337,023	27.0	227.6
Unpaid family worker	8,966	1.4	15,826	1.3	5.9
Cooperative	2,100	0.3	5,026	0.4	10.7
Employer	11,158	1.8	604	0.5	-3.5
Apprentices and Others	31,050	4.9	38573	3.1	1.9
Total	628,635	100.0	1,248,273	100.0	7.6

Source: CSA, 1994; CSA, 2006 & CSA, 2008

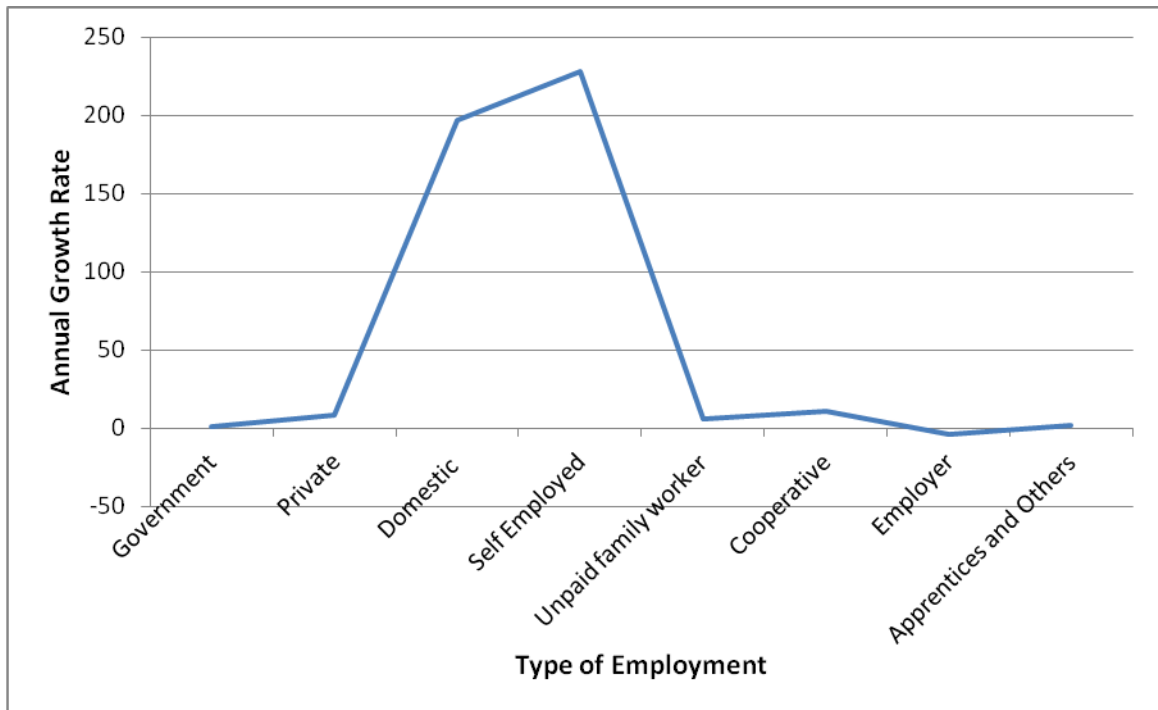


Fig-3.4 Annual Growth Rate of Employment According to Type of Employment

DEPENDENCY BURDEN (DB)

Another important indicator of economic development is dependency burden. If dependency burden is high, the proportion of workforce/ economically active group will be low. It can be evident from Figure 3.5 that there is a sharp declining trend in the dependency burden of the study area. According to Table 3.6, in 1995, DB of the city was 52 percent - every 100 people in the productive ages had to support 52 dependents for their basic and other needs. This figure got reduced to 40 percent by 2005. In 2010, the DB of the city was 35 percent.

Dependency Burden can influence economic development in that high DB undermines individual and national savings and investment capacity which are vital for social- economic development. Therefore, reduction in DB implies that there is improvement in individual and national savings and investment capacity which in turn fosters economic development of the city.

Table-3.6 Dependency Burden

Year	Young Age(< 15 Years)	Old Age(65+ Years)	Dependency
1995	48	4	52
2000	42	4	46
2005	35	5	40
2010	30	5	35

Source: - AACG, 2010

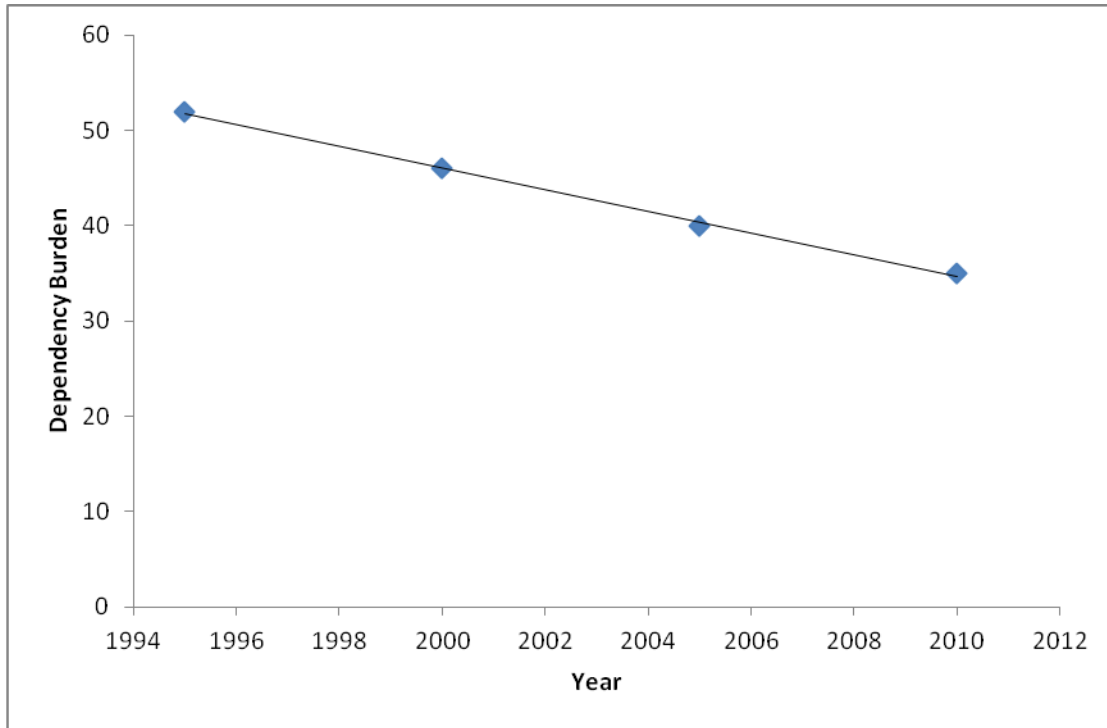


Fig-3.5 Temporal Variations in the Dependency Burden

INFORMAL BUSINESSES IN ADDIS ABABA

As stated in the UN-Habitat (2003), every year the world's urban population is increasing by about 70 million people leading to a greater demand for the provision of employment, shelter and urban services. However, most formal urban economies of developing countries are unable to meet these demands which eventually make the informal sector the main provider of employment and housing. According to Table-3.7, a significant proportion of the workforce of the city was engaged in informal sector activities. However, the trend in the proportion of informal sector activities dropped from 33.7 in 2004 to 20.5 in 2010.

An assessment of the growth rate of the population involved in informal sector shows that the proportion of female population engaged in informal sector economy had dropped by 46 percent, while that of male counterpart show a decline by 35 percent.

Table-3.7 Population Involved in Informal Sector in the Study Area

Sex	2004	2010	Growth Rate
Total	33.7 %	20.5%	- 39%
Male	33.1%	21.6%	-35%
Female	35.0%	18.9%	-46%

Source: AACG, 2010



Source: AACG, 2010

Plate-3.3 Different Types of Informal Jobs in the Study Area