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## Opportunities and Determinants of Rural Non-Agricultural Employment: Evidence from Ethiopia

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### Abstract

As compared with other African countries where the estimated average non-agricultural participation was 42% in the 1990's, a lower proportion of the labour force is engaged into non-agricultural activities in rural Ethiopia. Non-agricultural activities defined as all economic activities such as manufacturing, service and mining and extractives except agriculture, livestock, fishing and hunting. The main goal of this study is to identify the opportunities and main determinants of non-agricultural activities of Ethiopia. This study addresses the following specific questions: What are the different non-agricultural opportunities of Ethiopia? Why households are diversifying into non-agricultural activities? What are the determinants of non-agricultural employment?

We employed descriptive statistics and an econometric model for the analysis of this study. The dataset for the study is sourced from Ethiopian rural investment climate survey (RICS) and Ethiopian rural socio-economic survey (ERSS). The study found that the main non-agricultural activities of Ethiopia are manufacturing (brewing/distilling traditional alcohols, grain milling, etc), trade activities (whole sale and retail trade) and service activities (transport, carpentry, repair service, small restaurants, etc). The study also indicated that rural household diversify into non-agricultural activities due to lack of access to agricultural land, low/volatile earnings and social/economic independence.

We also identified the main determinants of non-agricultural employment based on binary probit model. The outcome of that estimation indicated that the main determinants of non-agricultural employment are lack of market opportunities, limited access to credit or finance, poor access to road and transportation, and lack of business training or education. Most of these factors have significant effect on the household's non-agricultural participation. Therefore, the development of rural infrastructure is critically relevant for facilitating rural non-agricultural employment in Ethiopia. Furthermore, policy makers should integrate the promotion of non-agricultural activities in the framework of rural development policies and strategies.

**Keywords:** Non-agricultural activities/employment