

1. INCLUSIVE GROWTH AND INEQUALITIES IN THE CONTEXT OF STRUCTURAL TRANSFORMATION: ETHIOPIA

The deadline for the MDGs is fast approaching and there has been intensified discussions in the past two years on a successor framework to the Post -2015 Development Agenda. The UN Open Working Group recently proposed a set Sustainable Development Goals (SDGs) that comprises seventeen 17 goals accompanied by targets that will further be elaborated through indicators focused on measurable outcomes. Africa has also come up with the African Common Position (CAP) on the post- 2015 development agenda which has six priority areas - structural transformation and inclusive growth; science, technology and innovation, people-centered development; environmental sustainability and natural disaster management; peace and security, and financing and partnerships (The Africa Report, 2014). This paper looks at inequality and inclusive growth in the context of structural transformation in Ethiopia- a priority area both in the CAP and in the context of post-2015 development agenda.

The paper will review inequalities in Ethiopia by covering both income and non-income dimensions before highlighting some of the policy measures that can be taken to enhance inclusive growth in Ethiopia.

A. INCLUSIVE GROWTH AND TRANSFORMATION

Inclusive growth refers both to the pace and pattern of growth. As a notion, it encompasses equity, equality of opportunity, and protection in market and employment transitions and is an essential ingredient of any successful and sustainable growth strategy (Commission on Growth and Development, 2008).

Inclusive growth refers both to the pace and pattern of growth. As a notion, it encompasses equity, equality of opportunity, and protection in market and employment transitions and is an essential ingredient of any successful and sustainable growth strategy (Commission on Growth and Development, 2008). Moreover, in inclusive growth the emphasis is on improving the productive capacity of individuals and creating conducive environment for productive employment, in addition to income redistribution as a means of improving the welfare of excluded groups. Note that the focus is productive employment opportunities, which entail decent returns rather than just employment opportunities and it serves as a meaningful transformation of societies.

African Countries are making many attempts to make their strong growth of the last decade inclusive. Wealth inequality is a development problem both in rich and poor countries. There is an increasing pressure on governments across the globe to address inequality concerns and this is particularly so in Africa given the jobless and non-inclusive nature of its recent growth experience. This concern is timely and essential because inequality weakens the poverty reducing capability of growth. In scenarios where there are increasing frustrations with the fast growth of economies but limited benefits to the majority of residents, critics reflect on the non-inclusive nature of growth in Africa using headlines such as “You cannot Eat GDP Growth”; “Africa’s elites join the top ranks of the global rich list” and so forth. This is in contrast to the discussions on topics such as “Africa Rising”; “The Rising Africa’s Middle Class”; “Many African Countries among the Fastest Growing in the World” which give limited attention to the daunting inequality challenges.

B. INCLUSIVE GROWTH IN ETHIOPIA AND STRUCTURAL TRANSFORMATION

Ethiopia tries to provide equitable economic and social development opportunities to its population in its growth and transformation process. For vulnerable and food insecure households, the country has one of the largest social protection programmes in the African continent i.e. the Productive Safety Net Programme (PSNP). Countries such as Mozambique, Malawi and South Africa have also safety net programmes targeted at the poor with the aim of sharing the fruits of their respective growth. However, in most of African countries inequality remained as the main challenge exacerbated by data and measurement problems (McKay and Perge, 2009; Kedir, 2012; Geda et al 2009; Ravallion, 2003). Therefore, in this paper we attempt to provide empirical evidence using various household level datasets on a variety of inequality indicators.

Both macro and microeconomic determinants matter to explain the nature and dynamics of inequalities. Even if there is a structural change/ transformation (e.g. services value added outstripping agricultural value added in recent years), Ethiopia has to make progress in economic diversification and competition. For instance, the poor are concentrated in the poorly performing informal or self-employment sectors which constitutes the bulk of the service sector activities. Equal access to services, markets and a policy environment that does not discriminate against certain location(s), ethnic group and/or women is a fundamental ingredient of structural transformation.

This paper is organized as follows: Section 2 provides a review of economic and spatial inequality and also presents empirical evidence on income inequality using longitudinal data from Ethiopia Urban Household Survey (EUHS) and Ethiopian Rural Household Survey (ERHS) (Kedir et al, 2011). Section 3 focuses on social development and inequality. We argue that investment in quality education, health and promotion of participation in labour markets enhance the possibility of ensuring equitable distribution of income in Ethiopia.

Therefore, in this section we discuss various aspects of social development by providing descriptive and econometric evidence. In section 4, we discuss the role of the state in development but focus only on issues that link developmental state features and inequality. In conclusion, we briefly outline some policy recommendations on what can be done to address various inequalities in Ethiopia.

2. INCOME AND SPATIAL INEQUALITY

Here, we provide the possible drivers of inequality and also their effect in the context of a growing economy such as Ethiopia and other developing countries.

A. GROWTH AND INCOME INEQUALITY

Kuznet (1955) hypothesized that growth leads to a deterioration of income distribution at early stages of development. Because at early stages the majority of workers are in the agriculture while the minority are in the industrial/modern sector and as a result the minority earn higher income. At later stages of economic development, the majority will migrate to urban areas for industrial employment and this will reduce the income inequality. This hypothesis is, however, challenged by other theories and empirical studies. For example, Ravallion (2004) showed that growth tends to be distribution neutral on average. Income inequality also affects growth through different channels. One of the positive effects of increased inequality arises from the increased saving by the rich people which increases investment (Voichovsky, 2005). Another reason is the incentive effect on the poor who might be motivated to work harder. This addresses the disincentive effects of addressing income inequality through the taxation systems. The negative effects of income inequality are associated with the poor financial market developments like credit rationing and collateral requirements that restrict the investment opportunities of the poor which subsequently lead to low growth. Increased inequality can also cause violence and social unrest and this retards the growth process in a given country and worsens insecurity.

Medgyesi and Tóth (2009) used a simple two sector economy, i.e., (high productivity modern sector and low productivity/low-wage sector), to analyze the different growth effects on the distribution of labor income. They argued that growth doesn't necessarily change income distribution if employment increases proportionately. But economic growth can increase productivity in one of the two sectors. This affects inequality by changing the income gap of different groups. Secondly, it could come through differential employment growth in the high productive or low productive sectors. And thirdly growth might bring labor moving from the low productive to high productive sectors. It is argued that the second and third mechanisms affect inequality by modifying the composition of the population. Both the differential productivity increase and change in population composition effects of growth on income inequality are ambiguous. Gelaw (2009) studied rural poverty in Ethiopia and estimated a fixed effects (FE) model where poverty gap was regressed on growth, changes in inequality and initial inequality. The result shows that growth and change in inequality significantly affect the poverty gap while initial inequality had insignificant effect.

Geda and Abreha (2006) showed a significant change in poverty and inequality across urban households in Ethiopia but a very small one at aggregate level. They underscored the significance of understanding the workings of the labor market in informing policies of poverty reduction. Geda et al (2009) reported a strong correlation between growth and inequality. The paper concludes that distribution matters for poverty reduction and comparing distribution of neutral growth (DNG) with equally distributed gains of growth (EDG) on poverty reduction the latter would result in greater reduction of poverty than the former.

Growth affects income inequality by affecting both the level and status of employment. For a growth to have a poverty reducing effect, it has to generate employment for majority of the unemployed and to the underemployed. Unemployment is a major cause of social dissatisfaction and poverty in most countries.

The problem facing poverty reduction efforts in Africa is the weak effect of growth on promoting equity. Strong growth, persistent unemployment and rising income inequality characterize the recent growth episodes in the continent. Rising average earnings of the poor, higher productivity, increased participation in the labor force and increased work hours should be accompanied following growth for successful poverty reduction and structural transformation.

B. ATKINSON'S INEQUALITY MEASURE

Using longitudinal datasets collected through the Ethiopian Rural Household Survey (ERHS) and the Ethiopian Urban Household Survey, we provide the Atkinson inequality measure estimates in tables 1 and 2. Note that inequality measure is based on the total monthly household consumption expenditure for the urban datasets while it is based on both consumption expenditure and the size of land owned for the rural sub-sample.

Atkinson's class of inequality measures is quite general and instructive to see which end of the income distribution contributes to inequality. It ranges from 0 (perfect equality) to 1 (perfect inequality). The Atkinson measure has a weighting parameter, ϵ (which measures aversion to inequality) and some of its theoretical properties are similar to those of the extended Gini index. The notion of inequality aversion is central to the index which is implicit in the weighting/sensitivity parameter, ϵ . The Atkinson index is given as;

$$A = 1 - \left[\frac{1}{N} \sum_{i=1}^N \left(\frac{y_i}{\bar{y}} \right)^{1-\epsilon} \right]^{\frac{1}{(1-\epsilon)}}, \epsilon \neq 1$$

$$A = 1 - \frac{\prod_{i=1}^N (y_i^{1/N})}{\bar{y}}, \epsilon = 1$$

Where \bar{y} is total monthly consumption expenditure of household i and is its mean. The index links a social welfare function to a concept of equality.

Atkinson employs the notion of measuring the cumulative deviation from the “equally distributed equivalent income”, which is the “level of income per head which if equally distributed would give the same level of social welfare as the present distribution”. In Atkinson’s measure, a parameter for assumed levels of inequality aversion ϵ is used. As the value of ϵ rises, relatively more weight is attached to inequality at the lower end of the distribution, and relatively less at the upper end. When ϵ is very large, inequality is sensitive only to transfers among the lowest levels; when ϵ is zero, transfers have zero weight, and distributions are ranked only in terms of the total level of consumption expenditure.

The household survey evidence below shows more inequality in rural than urban areas. We also note that within rural areas, there is more inequality across households using land ownership than using total household consumption expenditure as a key variable of interest to rank households.

Table 2: Rural Inequality: Atkinson Index with inequality aversion parameter, $\epsilon=1$

A(ϵ)	All Peasant Associations (PAs)-Consumption	All Pas –land
1994a	0.69	0.73
1994b	0.51	0.72
1995	0.65	0.83
1997	0.64	0.45
2000	0.70	0.37
2004	0.65	0.80
All waves	0.67	0.73

However, recent data and a change of inequality measure (i.e. the Gini coefficient) shows that there is more inequality in urban than rural areas. The Gini coefficient for urban areas is 0.37 while it is 0.27 for rural areas (MoFED, 2014). But urban inequality declined over the last 10 years and the gap between urban and rural inequality narrowed.

Table 1: Urban Inequality: Atkinson Index with inequality aversion parameter, $\epsilon=1$

A(ϵ)	Addis Ababa	Awassa	Bahir Dar	Dessie	Diredawa	Jimma	Mekele	All cities
1994	0.32	0.26	0.29	0.33	0.20	0.26	0.23	0.30
1995	0.31	0.21	0.30	0.33	0.27	0.35	0.35	0.31
1997	0.33	0.27	0.17	0.42	0.26	0.46	0.33	0.34
2000	0.34	0.23	0.35	0.44	0.37	0.29	0.29	0.35
2004	0.29	0.32	0.20	0.25	0.37	0.32	0.20	0.30
All waves	0.32	0.28	0.30	0.37	0.31	0.34	0.28	0.32

B. SPATIAL AND SECTORAL DIMENSIONS OF GROWTH, POVERTY AND INEQUALITY

Poverty has geographical, employment and sectoral dimensions. Firstly, with respect to spatial dimensions argued that growth is mainly associated with geographic concentration of economic activities. This brings spatial inequality across different geographical areas of a given country.

The major causes of spatial inequality include adverse agro-climatic conditions, institutional failures and poor infrastructure.

High spatial inequality may be bad for the pace of poverty reduction as well as growth (WDR, 2009; McKay, 2009; McKay and Perge, 2009).

What is the trend of the spatial inequality in Ethiopia? Inequality between rural and urban Ethiopia has decreased. In 2010/11, the average expenditure per capita in rural areas was 63 percent of urban areas compared to 48 percent in 1995/96 (HCR, 2010). However, if we look at disaggregated sub-national realities instead of the aggregate national picture and if we examine the service delivery and non-income or non-expenditure parameters, there are important inequality challenges for Ethiopia.

Ethiopia has diverse ethnic groups and most of its 94.1 million (2014)¹ population live in rural areas. Only 17 percent of the population lives in urban centres which is a much lower than other African countries. The emerging regions (e.g. Afar and Somali) are mainly pastoral areas², and they are characterized by small, scattered, often nomadic populations, making it more challenging to provide basic public services. Many of the areas are inaccessible with poor or no roads and limited social services such as schools and health facilities.

Now we consider some social development indicators of Ethiopia disaggregated by sub-national regions or provinces. Harari region has the highest life expectancy (70.5) followed by Addis Ababa (62.0) while the remaining 9 regions have similar figures close to the national average (59.5). The regions that enjoyed longer life expectancy are the ones with the lowest poverty incidence. Hence policies that target poverty reduction will have favourable human development consequences. With regard to immunisation coverage the best served regions are Southern Nations, Nationalities and Peoples Region (SNNPR), Oromiya and Tigray while the emerging regions such as Afar and Somali do not do as well. The worst region where immunisation coverage needs to improve dramatically and with urgency is Gambella (MoFED, 2014). Over the past decade, there are improvements in basic health, nutrition, education and literacy, sanitation and access to services in rural areas. This is particularly true in water and sanitation, as well as primary school enrolment.

The Ethiopian government has taken some measures to improve service delivery. For instance, to address the disparities between regions, a Pastoralist Health Promotion and Disease Prevention Directorate has been established within the Ministry of Health. The objective of this directorate is to address the problem of healthcare among pastoralist communities or emerging regions. However, despite these efforts, basic services delivery in pastoralist communities in the country remains a huge challenge, creating huge disparity in access and use of essential basic services

mainly due to the inaccessibility of the regions and also the nomadic nature of the residents. One should not also discount the role of harmful traditional practices that discourage the use of modern medical and other services that can be provided by government and other actors.

3. SOCIAL DEVELOPMENT RELATED INEQUALITIES

3.1 GENDER INEQUALITY

Gender inequality has far reaching consequences for any society because it hurts not only women but also society at large. In most parts of Africa, gender disparities in access to education, health and labour markets are common. A study by the IMF shows that gender gaps in the labour market can cut GDP per capita by about 27 per cent in certain regions (Elborgh-Woytek et al 2013).

This is a significant percentage despite the common perception that classifies women's work and their contribution to society as 'invisible'. However, it is true that women play a key role for agricultural productivity in agrarian societies such as Ethiopia. "Gender equality is smart economics," as stated by the World Bank Gender Action Plan and further described in the World Development Report (WDR) on Gender (World Bank, 2012). First, women's economic empowerment is a goal to which all poor countries should aspire to. By respecting women's right and promoting social justice, effort can be strengthened to design, target interventions and support women's economic empowerment.

Ethiopia has a long history of discrimination against women in social and economic spheres through oppressive social norms and unequal pay in labour markets. In the Gender Equity Index by Social Watch, measuring the gender gap in education, and economic and political empowerment, Ethiopia ranked 133rd out of 154 countries in 2012. Hence, there is a daunting task of bridging the gender gap at various levels of society and across many dimensions.

1 The Africa Report, December 2014 and January 2015 Special Double Issue, p. 134.

2 The pastoral lands of Ethiopia cover an estimated area of 78 million hectares which constitutes about 60 percent of the total land mass of the country.

Evidence from Ethiopia shows that married women tend to work fewer hours in the labour market and more in the household, while the reverse is true for married men. The average share married women who were employed in the past 12 months was 56 percent compared to 99 percent for men who are married and work (DHS, 2011). While men are more likely to work and get decent wages, women are paid cash only or not at all due to the prevalence of casual/non-contractual and informal employment arrangements.

Using the Ethiopian Labour Force Survey of 2005, we see a number of interesting gender disparities in terms of time allocation for market and non-market work between men and women. In general, women work much more than men and are also burdened with household chores regardless of their employment status. On average, women allocate 16 hours and men 29 hours to market work per week. With regard to housework, the average weekly time allocation is 36 hours for women and 7 hours for men. In addition, almost all women do housework, while half of men are not involved in any of the household activities. There are also gender differences within household work. The proportion of women fetching water and collecting firewood is at least double of the proportion of men tasked with the same job. Hence, investment on basic service provision such as water becomes a gender issue. Gender inequality is even more apparent in the participation rate of men and women in domestic activities. According to the survey, 92 percent of women do domestic activities, while only 27 percent of men do participate in these activities. This pattern stays pretty much similar when we investigate the time allocation using other surveys such as the Urban Employment and Unemployment Survey (UEUS) of 2010 and 2012.

What is Ethiopia doing to address the prevailing gender inequality? There are encouraging initiatives in Ethiopia targeted at addressing the prevailing gender inequality problem. We highlight a couple of these measures that are believed to have a profound impact. According to a study by Hallward-Driemeier and Gajigo (2011), the Ethiopian government amended the family law in 2000 which led to significant advances in women's

economic empowerment and their ability to self-advocate, work for fair wages and own property registered under their name. The family law amendment includes raising the legal marriage age from 15 to 18, giving women greater say over marital property and removal of power of men/husbands who deny women/wives opportunities to work outside the home. The effect of the reform of the family law is positive for Ethiopian women especially for those who are young and unmarried because it helped them to engage in gainful occupations, stay in schools longer and improve life prospects. Other dimensions of gender inequality can be seen via unfair intra-household resource allocation that favour boys (Kedir and Oterova, 2014) and agricultural extension service provision that does give little attention to female farmers.

Coupled with the family law amendments, there are other commendable measures taken by the Ethiopian government at the sectoral level. The newly formed Agricultural Transformation Agency (ATA) developed a gender mainstreaming strategy to promote gender equality across all of its programming and organizational development processes. This strategy aims to ensure that all of the ATA's work contributes to gender equality by monitoring and adjusting the impact that all of its programmes and activities have on both women and men. The strategy includes increasing the participation of women and girls in the ATA's prioritized programme areas; creating more opportunities for women and girls to have equal access to, and control over vital resources; balancing the workload for rural women and enabling girls invest in agricultural activities; addressing challenges to existing attitudes and practices that perpetuate gender inequalities in the agriculture sector. The ATA's Gender Mainstreaming unit is also collaborating with the Ministry of Agriculture and the Women's Affairs & Affirmative Action Directorate to strengthen the gender equality and women's empowerment efforts underway by both institutions.

In addition legislative and sector specific measures, other initiatives clearly show the commitment of the government of Ethiopia to issues of gender inequality.

It created a Ministry of Women, Children and Youth Affairs which has a mandate to work in areas that affect children and youth regardless of their gender as well as women. The government also designed a land certification programme and targeted vulnerable and food insecure families including those headed by females through its Productive Safety Net Programme (PSNP). Another important development is aimed at increasing the political empowerment of women. Ethiopia is doing very well according to at least one indicator compared to other countries that are at similar level of development – 27.8 percent of national parliament seats are held by women.

A. LABOUR MARKETS

Labour market is a key route through which inequality is felt. Hence, we provide detailed evidence on the Ethiopian labour market. Women's capacity to respond to stronger economic incentives to participate in different market-oriented activities depends not least on the functioning of labour markets. When labour markets function well, household labour needs can be met through hiring labour rather than reorganizing household resources. For instance, a rural household in need of extra hands during the harvesting season can hire additional labourers in the local labour market, while other household members continue to work in the family business or a wage sector. It is necessary to understand the root causes of the failures in the labour market (information failure, skill mismatch, social norms) or low returns to female market work.

We provide labour market related statistical evidence based on the 2006 and 2012 Urban Employment and Unemployment Survey (UEUS) of the Central Statistical Agency (CSA) of Ethiopia. First, we discuss about labour force participation (LFP) and how it varies across time by gender, location, education, presence of children and other key variables of interest. LFP is defined on the basis of the response given by interviewees to the question: "Did you engage in any productive work in the last 7 days?" According to responses given to this question, except for the age group 30-34 and all age groups beyond 50 years, more females

participated in the labour force than males in 2006. However, there is a reversal of the trend in 2012 whereby males have higher LFP than females in all age categories except in the 15-19 age bracket. More insight can be gained when we look at the data of employment and unemployment status. There is a clear monotonic pattern of unemployment among females at all age groupings both in 2006 and 2012. Meaning, the number of females is greater than males among the unemployed. As expected, the employment outcome numbers mirror the unemployment outcome numbers. Therefore, there are more males than females among those who are employed.

B. LFP AND EDUCATION

As Benabou (2005) argues the distribution of human capital lies at the centre of forces that shape a country's economic, institutional and technological structure. A skill-biased technological change might perpetuate wage inequality. This is more so in an environment where the acquisition of skills is difficult due to quality and other constraints as in Africa.

When we look at labour market outcomes by education, there are more females in the labour force with low educational attainment (e.g. illiteracy and primary level of education) both in 2006 and 2012. It is interesting also to see more females with tertiary level education in the labour force than males. It is only at secondary level that there are more males than females in the labour force. The unemployment figures associated with completion of various levels of schooling are more revealing about gender and labour market outcomes. At all schooling levels more females are unemployed than males for both years. Looking at the employment statistics, we find some surprising results across gender lines for both observation years. There are more males with primary and secondary schooling who are employed than females. But the converse is true at tertiary levels where there are more females reported to be employed than males. In addition, among illiterates, the number of employed females is greater than males which might suggest that they engage in low return jobs where wages are very low.

C. LFP AND MARITAL STATUS

Except for those who are never married, LFP of females is greater than males. This pattern remained unchanged in the time period 2006 and 2012. In 2012, the UEUS data has one more marital status

indicator included (i.e. 'living together'). Among those who reported to live together, LFP is greater among males than females. There is a clear concentration of females among the unemployed. For instance, more females are unemployed than males both in 2006 and 2012 regardless of their marital status. But in 2012 the data shows among those who declared to be 'living together' more males reported to be unemployed than females. When we examine the reported number of those employed, we do not find a mirror image of what we observed when we look at the evidence on unemployment by marital status and gender. The data shows some interesting patterns. Both for 2006 and 2012, among those who declared to be 'never married' and 'married', more males are employed than females. But among the 'divorced', 'widowed', and 'separated', more females are employed than males. This might be due to the fact that one of the livelihood options for women without a partner or a marital home is to fend for themselves and their family members via active labour market participation. Women who are married are often in a household where normally only the man works and takes responsibility of providing for his family.

D. LFP AND LOCATION

Two location category variables are created to classify our respondents. The variable 'Addis Ababa' represents individuals who are working in the capital city and the other location variable (i.e. 'outside Addis Ababa') captures all individuals working outside the capital. The results are summarized in table 3 below.

Table 3: LFP, Unemployment and Employment by location

Labour market variable	2006			2012		
	Total	Male	Female	Total	Male	Female
LFP						
Addis Ababa	8484	3803	4681	8152	3683	4469
Outside Addis Ababa	38743	17897	20846	55368	26193	29175
Unemployed						
Addis Ababa	4895	1785	3110	4653	1714	2939
Outside Addis Ababa	20686	7946	12740	30794	12598	18196
Employed						
Addis Ababa	3581	2013	1568	3499	1969	1530
Outside Addis Ababa	17978	9896	8082	24574	13595	10979

LFP of females is greater than males. In both locations more of them are unemployed both in 2006 and 2012. As expected, more males are employed than females. These patterns are the same across time and space.

E. LFP AND PRESENCE OF CHILDREN

The presence of children has labour market consequences both for males and females. In societies such as Ethiopia, the caring responsibilities are disproportionate and rest on females. Hence, women encounter problems of actively participating in employment activities.

Table 4. summarises the labour markets outcome of males and females subject to the presence of children below the age of 6 as well as children between the ages of 6 and 14.

In 2006, there are no reported LFP, unemployment and employment numbers both for males and females associated with the presence of children. There are more females with LFP than males when there are children in the 6-14 age category and this is the case in both years. In 2012, more females than males are in the labour force when there are younger children (i.e. below the age of 6).

Table 4: LFP, Unemployment and Employment by presence of children

Age of Children	2006			2012		
	Total	Male	Female	Total	Male	Female
LFP						
Less than age 6	-	-	-	1193	580	613
6 to 14	7275	3442	3833	14178	6941	7237
Unemployed						
Less than age 6	-	-	-	1186	576	610
6 to 14	6473	3006	3467	13038	6419	6619
Employed						
Less than age 6	-	-	-	7	4	3
6 to 14	798	433	365	1140	522	618

When it comes to unemployment and employment statistics, females fare worse by being overrepresented (under represented) among the unemployed (employed). However, they had better employment figures than males in 2012.

A regression showing the determinants of monthly earnings summarised in table 5 highlights the overall gender pay premium enjoyed by males compared to females.

Table 5: Multivariate Analysis of Determinant of Earnings: OLS model of log of monthly wage

Variable	2006	2012
	Coefficient (s.e)	Coefficient (s.e)
Male	0.454*** (0.019)	0.431*** (0.015)
Age (Ref. category=15-19)		
20-24	0.570*** (0.036)	0.566*** (0.031)
25-29	0.794*** (0.037)	0.860*** (0.031)
30-34	0.940*** (0.040)	0.922*** (0.035)
35-39	1.000*** (0.043)	0.959*** (0.036)
40-44	1.054*** (0.046)	1.012*** (0.039)
45-49	1.125*** (0.049)	0.983*** (0.042)
50-54	1.091*** (0.055)	0.991*** (0.045)
55-59	0.946*** (0.066)	0.855*** (0.054)
60-64	0.682*** (0.091)	0.703*** (0.067)
65+	0.735*** (0.096)	0.470*** (0.070)
Marital Status (Ref. category =Never Married)		
Married	0.049** (0.023)	0.034** (0.017)
Divorced	-0.338*** (0.040)	-0.135*** (0.034)
Widowed	-0.263*** (0.049)	-0.179*** (0.041)
Separated	-0.177*** (0.073)	-0.181*** (0.049)
Live together	-	0.123* (0.071)
Not stated	-0.276 (0.193)	-0.210 (0.495)
Public Sector	0.678*** (0.019)	0.443*** (0.015)
Addis Ababa	0.166*** (0.021)	0.218*** (0.018)
Education (Ref. Category=Tertiary)		
Illiterate	-0.933*** (0.029)	-0.813*** (0.026)
Primary	-0.465*** (0.045)	-0.474*** (0.040)
Secondary	0.130*** (0.019)	-0.090*** (0.023)
R-Squared	0.58	0.43
F-stat (p-value)	470.0*** (0.000)	364.8*** (p-value)
No of Observations	7291	10864

N.B. *, **, ***=significant at 10%, 5% and 1% level, respectively

The regression results summarised above show that males are remunerated better than females suggesting the presence of wage penalties to females. Young employees suffer wage penalties given the fact that all age categories except the omitted age group (i.e. 15 to 19) are significantly and positively associated with the log of monthly wage. Marriage and living together are also associated with positive wage outcomes for individuals. All other marital status indicators (i.e. divorced, widowed and separated) carry a wage penalty as shown by the significant negative coefficient estimates. This may be due to the stigma, discrimination, desperation of women to take any job regardless pay and lack of protection for workers who are without partners. Women are less likely to have a higher level of reservation wage and work for whatever wage they are offered often leading to low return and low paying jobs.

Workers in the capital city earn higher than those who work outside Addis Ababa. Public sector workers receive higher wages than private employees. This is mainly due to the limited bargaining power over wages and working conditions in most private sector jobs in Ethiopia which constitute low earning service sector employment. Relative to university/tertiary level education, those who are illiterate and finish only primary schooling earn less and this is statistically significant. But those who finished secondary schooling have also higher wages in 2006 but in 2012 all schooling levels lower than university education attract lower wages.

3.2. HUMAN DEVELOPMENT

According to the Human Development Report published by UNDP since 1990, Ethiopia has been ranked low in the Human Development Index (HDI) .. When looking at the Inequality-adjusted HDI, Ethiopia loses 32 percent of its HDI value, which is greater than the World average (23 percent loss) but comparable to the average in the low HDI country group (33 percent loss). However, Ethiopia is ahead of countries at the same income level in primary school spending and low birth rates.

The human development indicators for which Ethiopia lags other countries at a similar income level are, for example, in literacy rates for both men and women, prenatal care for women and malnutrition of children under five (Gable and Kedir, 2013).

Even though girls and women are participating in the labour market or in schools, their availability for work may fall short due to pregnancy and in extreme cases due to poor reproductive health and maternal mortality. Pregnancy is especially limiting for adolescent girls. While there is an overall trend of decreasing birth rates for girls, maternity related causes kill more 15- to 19-year old girls than any other cause (Patton, et al. 2009). Delaying pregnancy leads to better health both for mothers and children. It also leads to more economic and social empowerment of young women who can continue their education or secure a job.

A. MORTALITY

Maternal mortality ranges from 1 in every 11 women in Afghanistan to 1 in every 11,400 in Sweden (World Bank, 2012). Meaning, in the developing world, many women and girls never reach the stage where they could have contributed to the economy. Maternal mortality is still high in Ethiopia and hence, it is one of the most challenging MDG targets to achieve. On average 30 percent of female deaths are maternity related. For women in the age group 20-24 the maternal mortality risk is higher than those in older age groups. For those in the age range 15-29 the risk is even higher suggesting the need to focus more on younger women as a policy to reduce maternal mortality in the country along with an overall programme of tackling the problem across all age groups.

B. HEALTH AND WEALTH

Most studies compare differences in average health outcomes such as life expectancy and under-five mortality. However between-group inequalities provide limited information about distribution of health at the level of individuals.

Therefore, more insight can be gained by looking at within-group inequalities for policymakers and public health researchers (Asada, 2006; Starfield, 2007). To capture overall health inequality, Tranvåg et al (2013) looked

at length of life inequality indifferent population groups in Ethiopia. They use EDHS 2000, EDHS 2011 and Global Burden of Disease study 2010 and found that there have been general improvements in health in Ethiopia with an increase in longevity. Health inequality has declined over time but there needs to be more effort to reduce it among the poor and residents in rural areas. Inequality in length of life within wealth quintiles is considerably large. There is also inequality between poor and rural communities. Hence, there needs to be a concerted effort to identify factors beyond wealth which might be behind health inequality in the country (e.g. differences in spatial disparities in health facility provision across the country).

4. STATE INTERVENTION AND INEQUALITY

Developmental state intervention has been praised as an important route for structural transformation and sustainable development since the Marshall plan after the World War II and the success of the Asian tigers in recent times. Africa's growth also peaked in the last decade coinciding with post-Structural Adjustment Programme era. This is often referred to as a quasi-planning period where the role of state in economic management is crucial. In Africa, countries such as South Africa, Mauritius and Botswana are mentioned as successful and democratic developmental states. Ethiopia identifies itself as a developmental state and the government is actively engaged in driving developmental efforts.

Therefore, all its programmes are aimed at providing key infrastructure, improving the land ownership system, reducing corruption incidence, income equality and extreme poverty.

The states play an important role by adopting a development-oriented leadership and developing long term development plans such as the Growth and Transformation Plan of 2010-2015 (i.e. GTP I) and GTP II covering the period 2016-2020 (Daddi, 2013; UNDP, 2012).

We discuss some critical distribution issues in Ethiopia and the role of the state in redistribution. Prior to 1974, land ownership was concentrated in the hands of few rich lords. Feudalistic land ownership was dismantled in the mid-1970's to redistribute land and institute 'fair wealth' distribution. This redistribution took place under the slogan 'Land to the Tiller!' However, our household based data shows that wealth inequality using land as a key indicator is more severe than income inequality. In addition, agricultural transformation and productivity increases have not been impressive in Ethiopia. Therefore, the issue of land redistribution and household welfare improvement in Ethiopia is an outstanding challenge.

Relative to other developmental states in Africa (e.g. South Africa), there is less inequality of national wealth between income groups in Ethiopia. This might indicate that the growth process mainly driven by public sector investment in Ethiopia is accompanied by less severe inequality even if there is still a room for improvement to tackle inequality.

Ethiopia is committed to inclusive growth by advancing human capabilities through credible investment in education, health and technical skills development, as well as infrastructure.

CONCLUSIONS AND RECOMMENDATIONS

The increasing labour market access to individuals is one of the key steps of transforming economies and achieve structural transformation. The possibility of lifting time constraints (for instance for girls and women) in the future will depend on markets, formal institutions, and social norms and preferences, affecting the relative productivity of household work versus market work and the transaction cost substituting one for the other (Gable and Kedir, 2013).

To protect existing livelihoods and to insure those who suffer from covariate and idiosyncratic shocks, Ethiopia can continue to provide social protection to disadvantaged and vulnerable households through its flagship Productive Safety Net Programme (PSNP).

This programme should not be always funded by aid money but it is a good way of redistributing the proceeds of growth in the country. Removing gender inequality goes beyond closing the gender pay gap and should include legislative measures that improve the situation of women. The 2000 amendment of the family law and the subsequent improvement of the economic empowerment of women is an important development. Structural change took place in Ethiopia with service sector overtaking the agricultural sector (Martins, 2014). The service sector is predominantly informal or unprotected where women are the majority. It is also characterised by low returns, low technology, low productivity and with limited potential for transforming the lives of those who work in it. The government can play a role to improve the livelihoods of those who work in the sector by providing the necessary institutional arrangement to gain access to productive capital and channel their activities towards the formal sector. This will lead to the reduction of the persistent/chronic poverty and inequality.

Despite the sustainability concern over public sector driven growth, the government can continue to take a leading role in improving the allocation of resources for education, health, and agricultural extension services to reduce inequality across social and economic dimensions. The government should use the fiscal space to make proportionate allocations for various levels of capital and recurrent expenditures. The allocation for primary education is good but there is limited budget allocation for secondary level education and overall education quality which require improvement. We argue that inequalities in investments in education and also fiscal transfer across different regional states will limit the extent to which Ethiopia is able to achieve shared prosperity. The government should also make an effort to make inequality and poverty reduction efforts in a fiscally sustainable manner.

This is important given the likely reliance on own fiscal resources for many developing countries to equalize opportunities of their citizens in the current global financial climate characterized by declining ODA.

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Acknowledgements:

This is a seminal paper written by Mr. Abbi M. Kedir and commissioned by UNDP. The paper was presented at the Pan-African Inequalities Conference held in Accra, Ghana in April/May 2014.

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