

Employer as the Last Resort (ELR)-Led Environmentally Sustainable Development for Full employment in Rural and Urban Ethiopia: A Working Paper

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Over the last five decades, either fully convinced that they will work or in order to secure help from funding agencies, the Ethiopian political environment has been pursuing various externally designed economic paradigms. As discussed before, the different types of models implemented in Ethiopia neither brought about economic growth nor did they reduce the high rate of unemployment that had prevailed over the years. For example, from the 1930s to 1974, though Ethiopia was ruled by a highly centralized and semi-feudal authoritarian regime, its economic system was by and large designed to fit an open economic system. In consonance with Ethiopia's economic dependence and because it was the foremost recipient of U.S. assistance to all African countries (Committee on Foreign Relations, 1970), U.S. interest in Ethiopia was not limited to economic assistance but also included military ties. Besides agreeing in the 1950s and 1960s that the United States could establish U.S. bases in Ethiopia, Ethiopia sent its troops to Korea and the Congo. After the U.S. government, through the Point Four Program and other forms of economic assistance, paved the way for investment and assured the safety American investors, many American firms that were desperately looking for investment outlets rushed to Ethiopia.

In addition to monetizing the agricultural sector and in order to leapfrog over the agrarian stage and catch up with industrial nations through a rapid industrialization process, during the First Five years (1957-1961) period, Ethiopia introduced an investment protection policy known as the "Investment Decree of 1963." In this decree the Ethiopian government promised the following types of benefits for investors which included: exemptions from income taxes for a period of five years, for enterprises whose capital was Eth. \$200, 000 or more; import relief for capital goods; export duty relief for capital goods; export duty relief for manufactured finished goods in order to enable them to compete in the international market; the remittance of profits of foreign investors to their countries of origin; acquisition of land required for the establishment of industrial, agricultural, mining, transport and touristic enterprises (Ethiopian Economic Review, 1963:94-96).

Though the hegemony of U.S. capital over other investments in Ethiopia was substantial, starting in the 1960s a few British, Japanese, Indian, Italian, Dutch and Israeli investors started leasing large-scale commercial farms at the expense of small peasant landholders. However, as agricultural productivity declined in the first five years of the development plan, the overarching development agenda during the Second Five Year Plan (1963-1967) focused on improving agricultural productivity through better-trained human capital and well-equipped agricultural extension services. During the Third Five Year Plan period, it was premised that an accelerated

development of agriculture would supply industrial raw materials to the emerging manufacturing sectors. However, due to the prevailing landlord-tenant tenure system in the country, it was found that agricultural productivity lagged behind the per capita increase of non-agricultural products (See for example, Getachew, 2010).

Taking into account the amount of economic assistance and the massive loans Ethiopia has been receiving from various sources during the last two and a half decades, one might have expected enhancement in the country's economic development and improvement in the living conditions of the Ethiopian masses. Similarly, with the huge amount of foreign investment in the country one might have assumed that these investments would have created productive employment opportunities for the Ethiopian people and improved the productive capacities of the country's economic resources. However, contrary to one's expectations, we note the following: 1) the rate of growth of output in Ethiopia declined from 4.8 percent in 1963-68 to 3.6 percent in 1968-73; 2) the rate of growth of per capita gross national product was 1.0 in 1968-73 compared to 2.3 percent in 1963-68; 3) an unfavorable balance of trade; 4) a stagnation in the Ethiopian economy as manifested in a chronic budget deficit with heavy indebtedness to foreign creditors; 5) an increasing penetration by and dependence on international financial institutions, through economic assistance, loans, investments etc.; and 6) an increasing deterioration of the standard of living of the Ethiopian working class and the peasantry (See for example, Desta, 1979). The monarchy and its old-guard feudal entourage were unwilling to take practical legislative as well as executive measures to deal with land tenure issues, the official cover-up of catastrophic drought and famine in Wollo and Tigray, and wide-spread corruption accompanied by economic recession, all of which contributed to the downfall of Haile Selassie's regime in 1974.

To restructure the outmoded socioeconomic order, the military junta, better known as the Dergue, replaced the *ancient regime* and shaped itself on the socialist model of development. In the economic structure, the Dergue nearly nationalized the commanding heights of the economy by 1975. However, from the beginning, some Ethiopians had mixed feelings about the content and implementation of the Dergue's socialist policy. Its supporters saw the change from semi-feudalism to socialist orientation as a positive strategy for Ethiopia's development. Its critics on the other hand saw the announced policy as an ideology forged purposely to promote petty bourgeois class interests (Markakis, 1977). Ottaway (1976) also argues that by declaring socialism, the Dergue effectively destroyed the social basis of the emerging entrepreneurial class. Some opponents of the Dergue's opponents however view the Dergue's socialist rhetoric as pure demagoguery amounting to nothing.

During 1976-86, Ethiopia's population increased at about 2.9 percent per year. Using the 1984/85 constant price, Ethiopia's GDP per capita decreased at the rate of 1.6 percent per year during the 1980/87 period. Similarly, the gross domestic investment declined from 2.6 percent per annum in 1973/83 to 2.0% during 1980/88 period. In contrast to the Dergue's lofty ten-year plan (1984/85-1993/94) to build a "socialist Ethiopia" based on agriculture, making it self-sufficient in food production, the growth in the agricultural sector declined sharply from 1.2 percent during 1973/83 to a negative growth rate of 1.1 percent during the 1980/88 period. While the government budget deficit increased from 4.1 percent in 1975 to 14.5 percent, expenditure on education and other social services declined from 14% to 11 percent (World Development

Report, 1986-87). By 1989, Ethiopia was mortgaged to foreign creditors because its external debt amounted to 51% of its GNP.

To summarize, when Ethiopia was ruled by a military regime from 1974-1991, its economic system was conditioned to reflect the socialist mode of production, and the commanding heights of the economy were nationalized, run by the state apparatus and managed by cliques. The major factors that contributed to the economic crises in Ethiopia during the Dergue's rule are the nationalization of farm land, the "villagisation" program, the Agricultural Marketing Board pricing policies of farm products, and inadequate attention given to the private sector in economic construction.

In 1991, the military haunt was dismantled by the Ethiopian People's Revolutionary Democratic Front (EPRDF). Based on a developmental state economic system (i.e., similar to the developmental strategy pursued in South Korea and Taiwan) with a mixture of market-based structures, the ruling regime has attempted tirelessly to pursue the basic tenets of a democratic developmental state. However, since a transitional period is fluid, characterized by instability, it can relapse into any political arrangement, making it very difficult at times for the elite groups of EPRDF to implement seemingly democratic policies. Nonetheless, what has become clear is that the Ethiopian regime has openly declared that it is in the process of transforming its political system to a democracy in order to bring about a "renaissance for Ethiopia."

As a result of the 2002/03 to 2004/05 Sustainable Development and Poverty Reduction program (SDPRP), based on Agricultural Development Led Industrialization, a justice system and civil service reform, decentralization, empowerment, and capacity building in the public and private sectors would be guided for the five-year period 2005/2006 to 2009/10 by the Plan for Accelerated and Sustained Development to End Poverty (PASDEP). The PASDEP focused on accelerating privatization, creating the right environment for Foreign Direct Investment (FDI), greater commercialization of agriculture, export of high value agricultural products, development of tourism, and a scaling-up of efforts to achieve the United Nations Millennium Development Goals (Ministry of Finance and Economic development, January 2006).

Ethiopia has witnessed a double digit growth rate in its GDP for the last seven years. But the growth rate in output has the dubious distinction of resulting in a very high rate of unemployment. That is, a low level of employment elasticity is very visible particularly among the educated and the urban dwellers in Ethiopia. Moreover, for a large portion of Ethiopia's population, existence is marginal as they have no role to play in the country's current course of economic growth. The Ethiopian poor have lost faith in the promise that the 'trickle down effect' will better their lot some day. Therefore, high growth of output, coupled with low growth in employment and the spiraling inflation rate over time in Ethiopia raises questions about the value of the present growth model that claims that developing countries can only benefit from a market-oriented economy at the expense of poverty and a nearly jobless growth rate which has become unacceptable to the poor. Since the country's resources belong to all Ethiopians, everybody in Ethiopia needs to be guaranteed productive employment at living wages. Therefore, this study proposes as an alternative path of development a way for Ethiopia to

generate full-employment under an ELR-led, environmentally sustainable development plan that empowers local communities to address their needs.

Government Initiated, Environmentally Sustainable Projects Designed for Communities in Ethiopia: A Tentative Proposal

Based on the GDP scoreboard, while Ethiopia has manifested a high growth rate over the years, it has faced a high rate of unemployment and rampant inflationary pressures. Given that the economic growth rate has continued without significant impact on employment, it is therefore very pathetic to see that the poor in Ethiopia have remained at the margin, admiring the life style of the well-to-do from the side. The analysis generated below attempts to forward a tentative design by interweaving environmental and developmental issues to foster Ethiopia's economic development plan that could generate full-employment. However, it needs to be mentioned here that by realizing that natural resources are the foundation of an economy, and although too general because it does not include strategies for rigorous implementation, monitoring and evaluation, Ethiopia has already mandated a comprehensive statement of Environmental Policy for the Federal Democratic Republic of Ethiopia. The goals of the environmental policy approved by the Council of Ministers in April 1997 were to improve and enhance the health, social, and the long run economic development of the Ethiopia (UNEP Training Resource Manual, 2006).

This study using Kaboub's (May 2007) framework tailored for designing the "Employer of Last Resort" (ELR) model for Tunisia, attempts to replicate and modify the Tunisian model to fit the Ethiopian situation. In addition, going one step further than Kaboub's theoretical model, the Ethiopian model attempts to incorporate the concept of environmentally sustainable development into the ELR theoretical model. Also, environmentally sustainable development is operationally defined to include economic sustainability (maintaining the basic needs and livelihoods at full employment in a local community), social sustainability (includes seeing improvements in both individual well-being and the overall social welfare), and environmental sustainability (focuses on maintaining a stable resource base, reducing overexploitation of renewable resources, maintaining the health of living systems, and the management of biodiversity).

As suggested by Kaboub, in order to avoid a shock when implementing the ELR framework in the Ethiopian situation, a gradual strategic approach is used in order to

"...allow economic agents to adjust their behavior and their expectations 'to new economic conditions, and, more specifically, to the presence of the ELR administration as a major institutional actor in the economy. Inflation expectations (and therefore actual inflation) will be easier to manage when ELR is introduced gradually, since the financial cost will be phased in slowly and the benefits of ELR will be assessed progressively by

economic agents, which will help reshape expectations' about the program (May , 1997).

Thus, two programs have been designed. The first strategy is a cooperative long-term program that deals with the unemployed and underemployed (i.e., individuals working but not working at full capability) rural labor force in Ethiopia. Since not efficiently utilizing the labor force in rural Ethiopia is a barrier to economic development, the plan is designed to help the unemployed and underemployed in rural Ethiopia to master techniques in sustainable agriculture and appropriate technology that could be used to add value to their crops by processing them locally rather than selling them as raw materials. It also addresses some of the ways cooperative communities improve their quality of life and preserve the environment on which their future depends. The second phase of this tentative plan addresses how through the ELR program the government could hire those who have been unemployed in urban sectors of the country for less than one year but are now willing and able to work in environmentally sensitive projects at the country's per capita income of about 4500 birr per year. The second phase suggests paying the 4500 birr per year by ELR program to those urban unemployed for retraining in vocational schools and involving them in developmental internships that deal with urban and rural greening techniques, such as organic farming, recycling, irrigation systems, school tutoring, and rescue resource degradation schemes.

ELR Programs for Rural Ethiopia

Agriculture accounts for about 45% of gross domestic product, 60% of exports and about 85% of total employment. Though rural Ethiopia is dependent on agriculture, the unemployed in the rural sectors of the Ethiopian economy are heavily dependent on agricultural income for their households. Given that agriculture is the motor of Ethiopia's economy, over the years Ethiopia has attempted to reengineer its agricultural sector through the transformation and expansion of its agricultural capabilities. However, since it has shown insignificant results thusfar, instead of perceiving that industrialization is an expedient way of restructuring the Ethiopian economic system as stated in the Growth and Transformation Plan (GTP), a better way of tackling underemployment and achieving full-employment is by making the landholding in rural Ethiopia to be cooperatively owned at the grassroots level rather than leaving it under the monopoly of the state. Currently the government leases fertile land to foreign agri-business investors to produce wheat, rice and corn for consumption back home. This is based on mono-cropping, capital intensive, and contributes to mass unemployment and underemployment instead of fulfilling the promise of building infrastructure with jobs for native residents (Belineh, G. May, 2009). Though the Ethiopian government may have had to give up short term hard currency for leasing land to foreigners, it would have been wiser to think that the leased land would likely be exposed to diminishing biodiversity in the long run. Therefore, the rural sectors of Ethiopia should instead be labor-intensive and involved in cooperative enterprises so that the rural people who become fully employed are included in controlling and utilizing the natural resources of the leased and rural part of the country to their benefit. Though ambitious, it needs to be stated that the

Ethiopian government is currently planning a "... voluntary settlement program that will target Ethiopia's pastoral communities in the Somali region and parts of Gambella in an effort to group its naturally scattered semi-nomadic people in to permanent settlements" (Nazret,.com, July 1, 2011). To achieve cooperative enterprise on communal land, the ELR need not be dependent on benevolent rulers or nongovernment organizations. Poor people have strength in their numbers which will help them to press their demands. Thus, the Ethiopian government must relinquish its direct control over much of the rural Ethiopia. The rural community organization needs to be implemented in a decentralized way and funded by the national government (See for example, Kofi and Desta, 2008 and Kaboub, May 2007).

Initially, the ELR government branch could give the average per capita of 4500 birr per year for each farmer as a subsidy for two years to hire unemployed Ethiopian rural people to counter the periodic droughts that may arise until they become self-sufficient. Of course, giving money to the underemployed by the ELR organization until the unemployed are organized to self-sufficiency might contribute to the widening of the already existing national budget deficits. But, we have to take into consideration that employing the most vibrant working-age of the rural population could empower the rural people to be involved in self-created environmental cleanup projects involving reforestation, recycling, sanitation, and anti-desertification projects. These activities to make the environment green are most likely to stimulate the Ethiopian economy and thereby reduce poverty and the socioeconomic exclusion of the poor. In Ethiopia, the rural people are dependent on natural resources, making ecosystem degradation and, resource scarcity challenging to ending poverty. For example, the main cause of soil erosion is the removal of vegetation. Among other things, the method of ploughing, the time of planting, the nature of the crop, and the size of the fields have an influence on the severity of erosion. To combat soil erosion and eventually contribute to sustainable development, the government could use its mandate from the ELR program in rural areas to train the unemployed to be involved in re-vegetation programs in their communities, to stop stream water bank erosion, and be involved in crop management (i.e., crop rotation, reforestation, strip cropping, terracing, installing wind breaks, and the suppression of wind erosion) techniques.

Also, mass education for the rural Ethiopian community could be initiated as a new problem-solving framework for making the community aware that the environment provides their livelihood and that they must change the way they interact with the environment. In other words, both formal and informal education could help create resilient cooperative communities that could readily anticipate and adapt to change through clear decision-making processes. As it is done in Cuba, Ethiopia could utilize its high school and Technical Vocational and Training centers (TVET) to give services and encourage their students to carry out internships in the rural areas. By offering these types of experiential environmental education programs to the rural people, Ethiopian schools can be made to integrate their school curriculum into effective rural development (See Kofi and Desta 2008).

As a result of establishing a successful platform for creating rural self-managed cooperatives at the grass roots level, the rural people would be both consumers and producers providing for themselves the necessary goods and services. Through agricultural extension programs, basic facilities equipment, processing, and marketing services could be provided to the rural cooperative by the ELR management program. Each person in the rural development community cooperatives could also be given a share of the products equivalent to the value of his (her) contribution of land and labor.

In short, though there are rural development programs in Ethiopia, they have not been designed to contribute to full employment because they are ideologically oriented, excessively controlled by central governments with top managements who are insensitive to local conditions. Landownership in rural Ethiopia is controlled by the state. Nowadays, more and more land is falling under lease agreements or formal rental agreements to private owners. However, under the decentralized full-employment development ELR program that is suggested here, by banning land grabs by foreign governments and agri-business firms, land in rural Ethiopia must be owned and managed by the local people so that they can diversify their agricultural sector through horizontal diversification into organic crops. Also, members of the cooperatives, through their transparent and accountable leadership styles, need to be involved in creating social capital and the empowerment of rural areas to reducing the unsustainable trend of rural-urban migration (See for example, UNEP, 2011).

To summarize, the formation of people-oriented cooperative rural development managed by democratically elected local leadership following the ELR program not only would stimulate the formation of cooperative developments to strengthen the capabilities of the citizenry at large to undertake similar cooperative strategies but also to enhance the welfare and empower the marginal groups in Ethiopia (See Kofi and Desta, 2008). Thus, to salvage Ethiopia from heavy unemployment and underemployment in the rural sector of Ethiopia, local communities need to be structured for powerhouse development of full employment programs led by ELR. If properly implemented, the autonomous ELR-led developments are likely to reduce per unit cost, increase the bargaining power of producers and customers, and encourage self-employment based on labor-intensive strategies. Thus if ELR-led development is to operate effectively the Ethiopian government has to relinquish its direct control strategies of development and instead empower local citizens to produce significant assets in a decentralized way. As stated by the ILO Asia – Pacific Working Paper Series, “A considerable degree of decentralization would be absolutely essential for the success of the employment program. Decentralization needs to be established, strengthened at local governments and not treated simply as implementing agents for the national government. In addition, decentralization requires to be transparent and accountable to reduce inefficiency and corruption” (International Labour Organization, 2006).

ELR Programs in Urban Ethiopia

In urban Ethiopia, unemployment, particularly among the youth which constitutes over a third of the population is unbearable and calls for an urgent intervention through ELR programs. As stated by Serneels (2004), “With around 50% of the urban men between age 15-30 unemployed, Ethiopia has one of the highest unemployment rates worldwide....Mean duration of unemployment is close to four years and is (even) higher for those aspiring to public sector jobs.” What is astonishing is that almost half of the first-time job seekers have college education. Given that public and private colleges are growing exponentially in Ethiopia, the trend of unemployed college graduates is likely to continue in the future. Based on this trend, though implementing a full employment policy in Ethiopia is very challenging, it is certainly achievable if Ethiopia takes its fate in its own hands by reclaiming sovereignty over its domestic economy instead of pursuing irrelevant economic blueprints and abiding by the rules of international markets that have shown no significant impact on employment (see for example, Kaboub, May 2007).

To tackle unemployment in urban Ethiopia, the autonomous ELR program needs to focus on assigning public jobs to those who recently dropped out or have recently graduated from high schools and post-secondary educational programs. Those who have been out of the labor market for more than one year need to be paid allowances to get further training at the TVET centers in order to be acquainted with new technological developments in the job market. As mentioned before, the now unemployed for less than one year should be proven to be willing and able to work at fixed, socially-established market floor wage rates, that is, the average per capita income of 4500 birr per head, in order to participate in the ELR job programs.

Leaving aside the national deficit that could rise as a result of the ELR program, the study assumes that the government has the financial capacity to pay for the ELR program by creating *fiat* money to reduce unproductive government spending. Once having income to meet basic needs, employed individuals after gaining additional skills and wages could buy and contribute their income to the private sector economy thereby raising the output of the private sector enabling more hiring as production of its goods and services increases. The rise in private sector employment in turn draws workers off the rolls of the ELR program, resulting in an automatic reduction of government spending and closing the gap of the national debt, used for generating tax obligations to pay off the budget for the ELR programs (Palley, 2001).

Employer as the Last Resort (ELR) in Ethiopia must therefore introduce new community-based employment dynamics in decentralized public sectors in order to hire “hardcore unemployed” individuals who are willing and able to work at a minimum wage in sustainable activities. The ELR employed workers could be involved in upgrading and expanding infrastructure facilities, improving community health care services (water supply, sewage and sanitation, drainage, solid waste management, helping senior citizens), helping with community recycling projects, building tables, chairs, tutoring in public school, acting as tourist guides, community historians and ethnographers, and also participating in activities to preserve biological diversity.

To conclude then, when compared with Neo-liberalism policies and Development state policies, full employment-led development is within the reach of Ethiopian policy makers through Employer as the Last Resort (ELR) programs with decentralization and high levels of community participation not entrusted to bureaucratic administration at the Central or Regional State levels. ELR entails development for the marginal local people and needs to be administered by democratically elected members of the same socially depressed people. Poverty can be eradicated not by providing the poor with purchasing power alone but by providing employment with dignity to raise a sense of self-esteem for those who are willing and able to work at a reasonable wage rate. Therefore, in the ELR programs, the unemployed workers can be given the vacancies created by ELR. Then, government spending to finance ELR programs will be slowly reduced as the ELR stimulates the private sector to draw off workers from the ELR payrolls.

Therefore, if policy makers want to get out of the existing theoretical framework which has contributed to high rates of unemployment, the ERL-designed programs are within their reach since it costs about 3.5% of Ethiopia's gross domestic product (GDP). Furthermore, as long as an employment scheme results in environmentally sensitive product activity financed either through government printing of currency, or borrowing from multi-lateral financial organizations the cost could be immaterial because in the final analysis, the created jobs will result in tax revenues that would finance the budget deficits incurred as a result of implementing the ELR programs. In a market-driven economy, the tentative road-map depicted above shows that environmentally-sensitive, productive employment created for the unemployed is the most reasonable and the surest way to lift everyone to a tolerable standard of living and that will enhance the dignity and self-esteem of the now unemployed but potentially productive members of Ethiopian society. (See for example, Bhaduri, 2005).