

Abstract:

This paper examines the creation, destruction and reallocation of jobs to better understand the underlying micro-dynamics of employment in the context of Sub-Saharan Africa. The nature and magnitude of gross job flows are examined using a unique panel data of Ethiopian manufacturing establishments over the period 1996-2007. We also assess the relative importance of firm demographics, industry effects and business cycles for job flows. We find substantial amount of job creation and destruction that are comparable to job flow rates observed in developed and emerging economies suggesting that African labor markets are not uniquely restrictive. Unlike in other regions, however, job reallocation in our sample is pro-cyclical and its cross-industry distribution holds very little similarity with that of developed and emerging countries. While most jobs are created by new establishments at the point of entry to a market, the latter create far fewer job opportunities afterwards. We also find that job reallocation is relatively higher in industries dominated by small and young establishments.