

# ISTANBUL CONFERENCE ON ECONOMICS AND SOCIETY (ISTCES) 2025

*Pathways to Inclusive Growth: Overcoming Challenges in  
Emerging and Developing African Countries.*

24-26 SEPTEMBER 2025

*Book of Proceedings*

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## **Editors**

Prof. Dr. Hasan Vergil

Prof. Dr. Muhittin Kaplan

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Assist. Prof. Dr. Arab Dahir Hasan

Ayuba Napari, PhD

Mohammed Muntaka Abdul Rahman, PhD

Mahat Maalim Ibrahim, PhD

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Res. Asst. Abdülkadir Kömü - Res. Asst. Enes Cebe

**Copy Editor**

Şeyma Kılıç

**ISBN**

978-625-93023-8-6

**1<sup>st</sup> Edition**

İstanbul - 2026

**IHU Press**

155

**Executive Editor**

Savaş Cihangir Tali

**Publishing Director**

Ayşenur Alper

**Design**

IHU Press

**Cover Design**

IHU Press

**Layout**

Muhammed Muttaki Topcu

**Imprinting  
and Binding**

Milba Matbaacılık  
Certificate No: 77090

Istanbul Conference on Economics and Society (ISTCES) 2025 : pathways to inclusive growth : overcoming challenges in emerging and developing African countries / Hasan Vergil, Muhittin Kaplan, Asad Ul Islam Khan, Ayman Bekirođlu, Arab Dahir Hasan, Ayuba Napari, Mohammed Muntaka Abdul Rahman, Mahat Maalim Ibrahim, Abdülkadir Kömü, Enes Cebe ; copy editor Şeyma Kılıç. -- First edition -- Istanbul : Ibn Haldun University Press, 2026.

352 s. ; 24 cm. -- (IHU Press ; 155.).

Bibliographical references.

ISBN 978-625-93023-8-6.

1. Economic development\_Africa. 2. Inclusive growth\_Africa. 3. Africa\_Economic conditions.

HC800

330.96

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## 36.

# Structural Transformation and Youth Employment Crisis: Evidence from Ethiopia's Economic Development (1999-2023)

Nuha al-Ziyadi<sup>1</sup>

Mohammed Muntaka Abdul Rahman<sup>2</sup>

This study investigates the impact of structural transformation on youth employment in Ethiopia between 1999 and 2023. Using World Bank data, the analysis applies econometric approaches, including GMM and ARDL models, to examine the effects of sectoral employment shares, foreign direct investment, GDP per capita, urbanization, and a structural transformation index on youth employment outcomes. The findings reveal that industrial employment and overall economic growth contribute positively to youth job opportunities, while agricultural dependence, urbanization, and structural transformation pressures are associated with adverse effects. The service sector exhibits mixed results, with limited capacity to absorb youth labor despite its expansion. Further interaction analysis shows that foreign direct investment supports industrial employment but has negligible or negative effects in agriculture and services. Overall, the results highlight a disconnect between economic growth, investment inflows, and the ability of the labor market to absorb young workers. The study underscores the need for employment-centered development strategies, with a particular emphasis on labor-intensive industrialization and policies that better link investment to youth employment creation.

**Keywords:** Structural Transformation, Youth Employment, Sectoral Employment Shares, Foreign Direct Investment, Economic Development

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1 School of Graduate Studies, Department of Economics, Ibn Haldun University, Turkey. [nuha.alziyadi@stu.ihu.edu.tr](mailto:nuha.alziyadi@stu.ihu.edu.tr)

2 Department of Economics, Ibn Haldun University, Turkey. [muntakanasamu@gmail.com](mailto:muntakanasamu@gmail.com)