THE ROLE OF THE INFORMAL SECTOR AS A SAFETY NET FOR YOUTH UNEMPLOYMENT IN ADDIS ABABA

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DEDICATION

I wish to dedicate this thesis to my Lord and Saviour, Jesus Christ, for giving me eternal life, the grace, health, time, and resources to complete this study.

DECLARATION

I, HERANO ABRAHAM ASHA (Student Number: 67133010), hereby declare that the thesis, with the title THE ROLE OF THE INFORMAL SECTOR AS A SAFETY NET FOR YOUTH UNEMPLOYMENT IN ADDIS ABABA, is my own work and that all the sources that I have used or quoted have been indicated and acknowledged by means of complete references.

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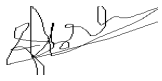
Student signature: 

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SUMMARY

Due to Ethiopia's youth bulge and the formal economy's inability to accommodate new job entrants, the youth of income-earning ages are compelled to work in the informal sector. The main purpose of this study was to examine the role, characteristics, and effectiveness of the informal sector in acting as a safety net for youth unemployment in Addis Ababa. A mixed-methods research design was adopted, and 409 young people were selected for a quantitative survey and 22 critical informants for qualitative telephone interviews. More than three-quarters of the participants in the survey were new migrants to the city. The respondents' incomes increased after joining the informal sector and further improved when these businesses became regulated. Their average productive assets increased more than six-fold. However, accessing education was challenging due to a lack of flexible training options. There was a decline in the dependency ratio as the youth focused on earning money instead of getting married. The respondents' incomes differed significantly in terms of possession of the city ID card, age, gender, ethnicity, education, skills training, regulated status, working premises, market linkages and access to loans. Three paths for the integration of informal individuals into the formal sector are recommended. Firstly, integrated, multidimensional government support with minimal effort from the informal sector. Secondly, minimal government support with maximum effort from individuals in the informal sector. Thirdly, almost no government support with all assistance coming from individuals in the informal sector. Based on the findings, the study recommends that the existing informal sector and population policies need to be reviewed urgently. Currently, the first option seems most suitable, provided that the government identifies, designs, and implements appropriate strategies to harness the potential benefits of the demographic dividend in Ethiopia by focusing on supporting those regions most vulnerable to out-migration and linking the formal and informal sectors through tailored training and certification to build the skills of the informal sector.

Keywords: informal sector, youth, unemployment policies, demographic dividend, role and effectiveness of the informal sector, Addis Ababa, Ethiopia.

MANWELEDZO

Zwi tshi khou itiswa nga tshivhalo tshihulwanesa tsha vhaswa vha Ethiopia na u sa vha na vhudziki kha ikonomi ya fomaḽa u katela vhathu vhaswa vhane vha khou dzhena mishumoni, vhaswa vha vhukale ha u wana mbuelo vha kombetshedzea u shuma kha sekithara i si ya fomaḽa u shuma sa tsireledzo kha vhaswa vha si na mishumo ngei Addis Ababa. Ho shumiswa nyolo ya ṱhoḓisiso ya ngona dzo ṱanganelaho, ho nangwa vhaswa vha 409 kha ṱhoḓisiso ya khwanthithethivi na vhaḓivhadzi vha ndeme vha 22 kha khwaḽithethivi ya inthaviwu dza luṱingo. Vhadzheneli vhane vha fhira kotara tharu kha ṱhoḓisiso ho vha vhapfulutsheli vhaswa ḓoroboni khulwane. Mbuelo dza vhadzheneli dzo gonya nga murahu ha u dzhoina sekithara ya fomaḽa na u isa phanḓa na u khwinisa musi mabindu haya a tshi langulwa. Tshikati tshavho tsha mveledziso ya ndaka tsho gonya u fhira ka rathi. Naho zwo ralo. U swikelela pfunzo zwo vha zwi tshi ṋea khaedu zwi tshi itiswa nga u shaya u nanga vhugudisi vhune ha konadzea. Hu na u tsela fhasi kha vhushaka ha u ḓitika sa musi vhaswa vho sedza kha mbuelo ya tshelede madzuloni a u maliwa. Mbuelo ya vhadzheneli yo fhambana nga maanda zwi tshi ḓa kha u vha na garaṱa ya ID ya ḓoroboni, vhukale, murafho, pfunzo, zwikili zwe vha gudela, tshiimo tsha ndaulo, vhupo ha u shumela, vhuṱumani ha maraga na u swikelela khadzimiso. Nḓila tharu dza u ṱanganyisa vhathu vha si kha sekithara ya fomaḽa u ya kha sekithara ya fomaḽa fomaḽa zwo themendelwa. Tsha u thoma, ṱhanganelano, thikhedzo ya masia o fhambanaho a muvhuso, na nungo ṱhukhu u bva kha sekithara i si ya fomaḽa. Tshavhuvhili, thikhedzo ya masia o fhambanaho a muvhuso na u lusa nga huhulu u bva kha sekithara ya inifomaḽa. Tsha vhuraru, a hu na thikhedzo u bva kha vhathu vha sekithara ya inifomaḽa. Zwo ḓisendeka kha mawanwa, ngudo yo themendela uri sekithara ya inifomaḽa ire hone na mbekanyamaitele dza vhathu dzi ṱoḓa u sedzuluswa hafhu nga u ṱavhanya. Zwazwino, u nanga ha u thoma ho tea nga maanḓa, tenda muvhuso wa topola, nyolo na zwiṱirathedzi u ṱumanya mbuelo dza ndeme dza khovhekanyo ya vhathu ngei Ethiopia nga u sedza kha u tikedza madzingu

ayo o ṱanwaho u fhelisa mupfuluwo na u ṱumanya sekithara dza fomaḽa na dzi si dza fomaḽa nga kha vhugudisi ho tou itelwaho na khwaṱhisedzo u fhaṱa zwikili zwa sekithara i si ya fomaḽa.

Maipfi a ndeme: sekithara i si ya fomaḽa, vhaswa, mbekanyamaitele dza u shaya mushumo, khovhekanyo ya vhathu, mushumo na u tea ha sekithara ya inifomaḽa, Addis Ababa, Ethiopia.

NKOMISO

Hikwalaho ka ku ndlandlamuka ka vantshwa eEthiopia na ku tsandzeka ka ikhonomi ya ximfumo ku endla leswaku vanhu va kuma mitirho, vantshwa lava nga eka malembe yo kuma muholo va boheka ku tirha eka xiyenge xo ka xi nga ri xa ximfumo. Xikongomelokulu xa dyondzo leyi a ku ri ku kambisisa xiave, swihlawulekisi na ku tirha kahle ka xiyenge lexi nga riki xa ximfumo eka ku tirha tanihi nete ya vuhlayiseki eka mpfumaleko wa mitirho ya vanytswa eAddis Ababa. Dezayini ya ndzavisiso wa maendlelo yo hlanganisiwa yi tirhisiwile, naswona vanhu lavatsongo vo ringana 409 va hlawuriwile ku endla ndzavisiso wa nhlayo na twenty-two wa vanyiki va mahungu va nkoka ku endla tiinthavhiyu ta tiqingho. Ku tlula tikotara tinharhu ta vatekaxiave eka ndzavisiso a ku ri vahlapfa vantshwa eka dorobakulu. Miholo ya vahlamuri yi ndlandlamukile endzhaku ka ku joyina xiyenge lexi nga riki xa ximfumo na ku ya emahlweni yi antswa loko mabindzu lama ya sungula ku lawuriwa. Rifuwo ra vona ra avhereji ri ndlandlamukile ku tlula katsevu. Hambiswiritano, ku kuma dyondzo a ku ri tlhontho hikwalaho ka mpfumaleko wa tindlela to amukeleka ta ndzetelo. Ku vile na ku hunguteka ka mpimo wa nseketelo tanihileswi vantshwa va kongomiseke eka ku kuma mali ku nga ri ku tekiwa kumbe ku teka. Miholo ya vahlamuri yi hambanile swinene hi mayelana na ku va na khadi ra ID ra dorobakulu, malembe, rimbewu, rixaka, dyondzo, swikili, vuleteri, xiyimo lexi lawuriweke, tindhawu to tirhela eka tona, mihlangano ya makete na mfikelelo wa tiloni. Ku bumabumeriwile tindlela tinharhu ta ku hlanganisiwa ka vanhu lava tirhaka eka xiyenge lexi nga riki xa ximfumo eka xiyenge xa ximfumo. Yosungula, nseketelo wa mfumo lowu hlanganisiweke wa swiyenge swotala hi matshalatshala matsongo ku suka eka xiyenge lexi nga riki xa mfumo. Yavumbirgi, nseketelo wutsongo wa mfumo hi matshalatshala lamakulu eka vanhu eka xiyenge xo ka xi nga ri xa ximfumo. Yavunharhu, ku hava nseketelo wa mfumo na mipfuno hinkwayo leyi humaka eka vanhu eka xiyenge lexi nga riki xa ximfumo. Ku ya hi leswi kumiweke, ndzavisiso wu bumabumela leswaku xiyenge lexi nga riki xa ximfumo lexi nga kona na tipholisi ta vanhu swi lava ku langutisiwa hi vuntshwa hi xihatla. Sweswi, ndlela yosungula yi vonaka yi ri leyi faneleke swinene,

ntsena loko mfumo wu kombisa, wu dezayina na ku simeka switirateji leswi faneleke ku tirhisa swipfuno leswi nga vaka kona swa mivuyelo ya vanhu eEthiopia hi ku kongomisa eka ku seketela tirhijini leti nga eka nxungeto swinene wa ku rhurhela ehandle na ku hlanganisa swiyenge swa ximfumo na swo ka swi nga ri swa ximfumo hi ku tirhisa ndzetelo lowu lulamisiweke na ku nyika switifikheti ku aka swikili eka xiyenge xo ka xi nga ri xa ximfumo.

Maritoyankoka: xiyenge lexi nga riki xa ximfumo, vantshwa, tipholisi ta mpfumaleko wa mitirho, mivuyelo ya vanhu, xiave na ku tirha kahle ka xiyenge lexi nga riki xa ximfumo; Addis Ababa, Ethiopia.

TABLE OF CONTENTS

Contents

LIST OF TABLES

LIST OF FIGURES

LIST OF ACRONYMS AND ABBREVIATIONS

AA MSE	Addis Ababa Micro and Small Enterprises
AEO	Africa Economic Outlook
AfDB	Africa Development Bank
AHRQ	Agency for Healthcare Research and Quality
ANOVA	Analysis of Variance
UC	African Union Commission
BDS	Business Development Services
BOFED	Bureau of Finance and Development
CCDRA	Consortium of Christian Relief and Development Association
CSA	Central Statistical Agency
CWW	Concern Worldwide
DC	Developed Countries
DD	Demographic Dividend
DHS	Demographic and Health Surveys
DTT	Demographic Transition Theory
EDC	Ethiopia Development Center
EDRDF	Ethiopian People's Revolutionary Democratic Front
ESDP	Education Sector Development Plan
ETB	Ethiopian Birr
FAO	Food and Agriculture Organisation
FDI	Foreign Direct Investment
FDRE	Federal Democratic Republic of Ethiopia

FGD	Focus Group Discussion
GDP	Gross Domestic Product
GER	Gross Enrolment Ratio
GHI	Global Hunger Index
GNI	Gross National Income
GTP I	Growth and Transformation Plan I
GTP II	Growth and Transformation Plan II
HDI	Human Development Index
HH	Household
ICT	Information Communication and Technology
ID	Identification Card
ILO	International Labour Organisation
IMF	International Monetary Fund
IMR	Infant Mortality Rate
KIIs	Key Informant interviews
LFPR	Labour Force Participation Rate
MA	Master of Arts Degree
MFI	Micro Finance Institution
MoE	Ministry of Education
MoFED	Ministry of Finance and Economic Development
MoLSA	Ministry of Labour and Social Affairs
MoUDH	Ministry of Urban Development and Housing
MoYSC	Ministry of Youth, Sports, and Culture

MSEs	Micro and Small Enterprises
MUSL	University of Missouri, St Louis
NBE	National Bank of Ethiopia
NGO	Non-Government Organisation
NPC	National Planning Commission
NYP	National Youth Policy
OECD	Organisation for Economic Co-operation and Development
PASDEP	Plan for Accelerated and Sustainable Development to End
PPE	Population Policy of Ethiopia
PPP	Purchasing Power Parity
PRB	Population Reference Bureau
SD	Sustainable Development
SNNPR	Southern Nations, Nationalities and People's Region
SPSS	Statistical Package for Social Science
SSA	Sub-Saharan Africa
SWOT	Strengths, Weakness, Opportunities, and Threats
TFR	Total Fertility Rate
TVET	Technical and Vocational Education Training
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Africa
UNICEF	United Nations Children Fund
US$	United States Dollar
WHO	World Health Organization

WTO	World Trade Organisation
YDP	Youth Development Package
YDR	Youth Dependency Ratio

CHAPTER 1: INTRODUCTION AND CONTEXT

Ethiopia has witnessed an increase in the working age population which opens up the opportunity to harness the demographic dividend if favourable policies and programmes are designed. However, there ability of the formal labour market to absorb new job seekers is limited. Hence, the majority of the youth are migrating to the towns and the city of Addis Ababa in search of employment and joining the available informal sector. A study of the dynamics of the demographic–economic nexus that focuses mainly on the safety net role that the informal sector plays in the livelihoods of unemployed youth in Addis Ababa is needed.

1.1 BACKGROUND TO THE STUDY

Ethiopia, with an approximately 129,719,719 **million** people (20% urban) in 2023, is the second most populous country in Africa after Nigeria (DHS, 2016; World Bank, 2018a; CSS, 2023). It is a youthful country. The overall fertility rate declined from 7.7 children per woman in 1993 to 4.6 children per woman in 2016 (DHS, 2016). Hence, with an extremely high population momentum due to the past and current high fertility, Ethiopia has a high dependency ratio, with 43% of the population below the age of 15 years (World Bank, 2015a; DHS, 2016). This has a detrimental effect on the economy and society, such as lowering savings, reducing investment money, and making it more difficult to find formal employment opportunities (Santacreu, 2016; Mamuye, 2018). Moreover, in Ethiopia, many working-aged unemployed people live with their parents, thus contributing to the high dependency burden at the household level (Meagher, 2016:8).

According to Birhane, Shiferaw, Hagos and Mohindra (2014:15), about 22.7% of rural households and 13.9% of urban households experience food insecurity. Oyekale and Temitayo (2017:1) add that large household sizes impact the quality of per person food intake. Moreover, as Bird (2007) demonstrated, intergenerational poverty and pervasive unemployment push the poor from rural to

urban areas, offering greater possibilities for better incomes. Nevertheless, the unemployment rate in Addis Ababa (even though data varies) is estimated at about 25 to 34% (UN-HABITAT, 2006:25).

According to the *Ethiopian Population and Housing Census* (CSA 2007) and the International Labour Organisation (ILO 2019:3), Tigray, Amhara, and SNNP are the regions with the highest poverty incidence rates and population pressure. These regions also have the highest rates of in-migration. The majority of internal migrants who left the rural regions because of acute poverty arrive in Addis Ababa (ILO, 2019:4). Due to unemployment, Addis Ababa's "street youth" numbers grew, generating a sizable pool of employees for the informal economy (Elias, 2015:18).

The World Bank (2018b:4) states that *"the informal sector represents 10 to 20% of global output in developed countries and more than a third of the global output of developing countries.*" In Addis Ababa, the informal sector accounts for around 34% of manufacturing value and 85% of employment. Additionally, between 1996 and 2015, the number of business owners in the informal sector expanded by nearly 42 times (Elias, 2015:29).

With a high total fertility rate of 2.4 in urban areas and 6.0 in rural regions, Ethiopia is in the early stages of its demographic transition, indicative of a high youth dependency ratio. Ethiopia is currently dealing with the combined burden of a high dependency ratio and three million young people entering the labour market each year, despite the fact that the share of the working-age population (15 to 64 years) has marginally increased from 51.2% in 1995 to 55.7% in 2016 (Meagher, 2016).

It is difficult to create jobs for a rapidly (4.4 % per annum) increasing labour force (Mamuye, 2018:3). According to the Central Statistical Agency (CSA 2007), the youth unemployment rate (for those between the ages of 15 and 24 years) was 5.5%, while those between the ages of 15 and 24 years who are not in school or

working make up 18.6% of the population. With an estimated rate of 20.6% against 2.6%, urban regions have almost ten times the unemployment rate of rural areas.

The limited demographic studies in Ethiopia have not examined the nation's ability and readiness to deal with the dependency ratio. There are few empirical studies connecting the informal economy to youth unemployment. Therefore, this study investigated the informal sector's ability to act as a safety net for high youth unemployment in Addis Ababa. Rural youth migrate to urban regions, primarily Addis Ababa, in a quest for a push factor for a better life and work, due to push factors such as poverty, school dropout, as well as the absence of social protection (OECD, 2017:21). As a result, the age structure of Addis Ababa is influenced not just by the city's low fertility rate but also by in-migration, which accentuates the city's young bulge (Casacchia, Crisci & Reynaud, 2011:73). Despite their working ages, this results in increased dependency at the household level and has an unfavourable effect on Ethiopia's economic progress. According to Sanchez and Liborio (2012:1), a 1% rise in unemployment causes a 0.82% drop in real GDP. A high dependency ratio at the household level lowers investment and saving rates and has an impact on the household's available income (Santacreu, 2016:9).

Most governments in Sub-Saharan Africa have recently shown an increasing interest in the significance of the informal sector. These governments then regulate the industry by lowering entry requirements. These directives are appreciated by Micro and Small Enterprises (MSEs) (Tokman & Klein, 1996; Sparks & Barnett, 2010:1). Given this, the Ethiopian government has implemented initiatives to convert the sector into formal businesses, or MSEs (MoFED, 2016). The government supports such MSEs through suitable working premises, training, skills development, market connections, and financial services. However, most find obtaining the minimal finance needed to launch a business or lease a modest workspace challenging. A handful of unregulated informal sector business owners also exist, and the government does not support their dependency ratio; both groups (regulated and unregulated) have entered the market. In addition, due to a

continuous oversupply of labour, the informal sector in Addis Ababa has substantially increased from time to time (Chalachew, 2018:2), acting as a safety net for youth unemployment (LaGraffe, 2012:5; Chen, 2012:4; CCRDA, 2016:10). However, because these workers in the informal sector are unable to be incorporated into government sponsored MSEs, their chances of receiving funding for their entrepreneurial abilities are limited.

The lack of an Addis Ababa City Identification Card is a significant barrier for in-migrants from other parts of the country to participate in the formal MSEs (CCRDA, 2016:15). As a result, many young people working in the informal sector have meagre, unstable incomes and frequently encounter police harassment. Additionally, informal sector business owners must contend with food insecurity, a lack of access to credit and markets for manufactured goods, high levels of competition brought on by free entry into the market, bureaucratic operating procedures, high taxes for MSEs, and high interest rates on loans (Abdunnasir, Sime, Ejigu & Hussen, 2018; ILO, 2018a: 12).

1.2 STATEMENT OF THE PROBLEM

Despite the considerable share of the informal sector (85% of employment in Addis Ababa) in the economy, the main drivers behind the informal sector still need to be well documented. Although the existence of the informal sector is well known, its contribution to employment and the economic burden in the household have yet to be discovered. Often workers in and owners of informal businesses feel that they do have better options than those who are better educated and better placed to operate in the formal sector (MoFED, 2016). This can be especially observed between regulated and non-regulated operators (Benjamin, Beegle, Recanatini & Santini, 2014:4).

The transition from age structures dominated by children to those concentrated in working ages has economic consequences for Ethiopia. Theoretically speaking,

demographic dividends should contribute to economic growth (Canning, Raja & Yazbeck, 2015). The so-called “demographic dividend” assumes that more young people relative to other age groups can mean more income earners and more consumers. The increased inverse dependency ratio (that is, the higher working-age population relative to the number of dependents) implies a large labour force to be absorbed by the formal labour market. However, a mere “youth bulge” – that is, a growing proportion of younger workers – in a context where the formal economy cannot provide sufficient job growth- implies high youth unemployment rates. These are macro-level phenomena (the age structure, the job structure, and the developmental trajectory of Ethiopia). At the meso- and micro-levels, families and households survive through the participation of the youth in informal jobs. This provides a temporary, but insufficient safety net for families, households, and young people. The study thus links the macro-level phenomena (demographic, economic, political factors) with the lived realities of informal job participation by the youth in the selected sample areas.

The crucial factors determining whether the informal sector in Addis Ababa is a successful safety net for youth unemployment and the prospects for formalisation in Ethiopia are understudied. Therefore, this study focused on the problem of youth unemployment despite the potential that a demographic dividend can offer. The notion of a demographic dividend is used as a point of departure for this study. In particular, features of the demographic divided, such as the dependency ratio at the household level and participation by the youth in the informal sector by the level of education, were of key interest. The income of the household, measures of food security and household savings also helped to describe the ability of the informal sector to serve as a safety net for the unemployed youth (Izugbara, Tizta & Owii, 2018:3). In addition, this study looked at key factors that affect the ability of the informal sector to serve as a successful safety net for youth unemployment in Ethiopia.

1.3 RESEARCH OBJECTIVES

This section clarifies the major and specific objectives of the research mainly focusing on the role that the informal sector plays in the livelihoods of unemployed youth in Addis Ababa.

1.3.1 The primary research objective

This study's main goal was to investigate the role of the informal economy as a safety net for unemployed youth in Addis Ababa at the household level.

1.3.2 Specific research objectives

The following are the study's specific objectives:

I. To analyse the role of the informal sector in Addis Ababa in being a safety net for the unemployed youth participating in the sector in terms of income, food security, reducing the dependency ratio, and better education.
II. To describe the characteristics of households in Addis Ababa that have young people employed in the regulated and unregulated informal sector in terms of income, education, skills, and food security.
III. To examine the factors that shape the effectiveness of the informal sector to become a successful safety net for youth unemployment in Addis Ababa.
IV. To make informed policy recommendations on how to link the informal sector with the formal sector for the purpose of development of Ethiopia.
V. To contribute to the academic debate on labour informality and development.

Accordingly, the following research questions guided this study:

- What is the role of the informal sector in contributing as a safety net for the unemployed youth in terms of:

    - Income growth for regulated and unregulated informal sectors at the household level in Addis Ababa?
    - Food security at the household level in Addis Ababa?
    - The dependency ratio at the household level in Addis Ababa?
    - The level of education and skills training of young people in households in Addis Ababa who work in the informal sector.
- What are the key characteristics that determine the effectiveness of the informal sector to be a successful safety net for youth unemployment in Addis Ababa?
- How can informal sector workers be linked to or integrated more effectively with the formal sector for the purpose of development?

The researcher used a retrospective study to understand the safety net role played by the informal sector by asking youth about their situation before and after entering an informal sector job. This allowed the researcher to assess the role of the informal sector in providing income, food security, employment, skills, and education in the selected study sites.

1.4 SCOPE OF THE STUDY

In this section, the researcher gives some background information about the city to justify the choice of Addis Ababa as the study site. About 20% of Ethiopia's population is estimated to live in urban areas, with Addis Ababa accounting for most of them. Over the past 40 years, the urban population has increased by almost a factor of 10 (DHS, 2016). Addis Ababa is divided into ten sub-cities, which are divided into 116 Woredas. With a growth rate of 4.4%, the city's population is currently 4.98 million at least (CSA, 2007; UN DESA, 2019). According to the city's 1994 census, population growth during the previous 20 years was roughly 29% (DHS, 2016).

Due to push factors, most of the population in Addis Ababa is mainly composed of migrants from rural areas. At both the continental and international levels, the city is significant from a political and diplomatic standpoint. The city is the centre of a heavy concentration of diverse MSEs and informal sector businesses. The total fertility rate (TFR) of the city in 2011 and 2016 was 1.5 and 1.8 respectively (DHS, 2016). Though the TFR of Addis Ababa is low, the increase in population is significantly high due to the in-migration Consequently, it has a direct relation to the demography (that is, the potential of the demographic dividend) versus economic disparity (that is, the realities of gainful employment or entrepreneurial enterprise for large cohorts of young people).

Addis Ababa has acute poverty, constantly made worse by demographic pressures and high unemployment rates (OECD, 2017). These are the justifications for selecting Addis Ababa as the study location.

The scope of the study was a sample of about 384 informal sector operators and 22 government officials responsible for the informal sector in the three Woredas of Addis Ababa. These Woredas are roughly homogeneous regarding the nature of their informal sectors. The study dealt with youth aged 15 to 29 according to the definition of Ethiopian Youth Policy (MoYSC, 2004:5). However, following the rules for the age of granting independent informed consent for research participation, the researcher used the age bracket of 18 to 29 years for the selection of respondents in the survey and key informants for the interviews. In addition, the scope of the study has included young people with the following characteristics:

- Their livelihood is based on the informal sector.
- They are engaged either in the non-regulated informal sector such as street vending, or the regulated informal sector activities of MSEs.
- They reside in the three Woredas of the city.
- Market linkages.
- Access to training.
- Education in years.

- Regulation status of the business.
- Access to credit.
- Gender and household size.

1.5 LIMITATIONS OF THE STUDY

Apart from the common limitations like time and financial constraints, other factors might have affected the quality of the study. As the study is about the contribution of the informal sector to youth unemployment, expressed in terms of income, and saving, responses in such sensitive areas might not be accurate. Furthermore, despite the study's focus on employment generated by the informal sector, the quality and the sustainability of the jobs generated in this sector still needed to be addressed. Furthermore, some of the sampled people were unable to participate in the study due to the informal sector's higher levels of mobility and dynamism.

When revising the proposal for this study based on adjudicators' comments, the COVID-19 pandemic hit the world. This implied changes to the data collection strategies that go beyond what the adjudicators advised, but which followed UNISA's guidelines for research during this period. The researcher is cognisant of the fact that in-person data collection was not possible during times of national lockdowns. Moreover, as the face-to-face data collection method was not possible many vital clues that could have been obtained from the facial expressions, in-depth probing, or via the group dynamics of a focus group discussion, the taking of pictures and on-site observations were missed.

1.6 IMPORTANCE OF THE STUDY (OR RATIONALE FOR THE STUDY)

The justification for conducting this study is rooted in the intention to address the challenges of youth unemployment in Ethiopia, and the possibility of examining the effective transition of informal businesses to formal ones. The findings of this study

are used to inform specific recommendations concerning the consequence of a high dependency ratio on unemployment and the role of the informal sector in alleviating this.

The study is important because it addresses youth unemployment in Addis Ababa, and the potential impact of the informal sector on the overall economy. In addition, the study also uncovered the prospective benefits of integrating informal sector workers into formal economic structures by analysing the gap in existing research and assessing the policy environment for both the regulated and non-regulated informal sectors. In view of that, the socio-demographic and economic conditions of the informal sector between these two different modalities (the regulated and non-regulated informal sectors) were analysed, and recommendations for policy are made. As a contribution to the body of knowledge, this study primarily helped the informal sector workers to bring their issues to the attention of the policymakers and academics interested in the nexus of the demographic dividend, employment, and Ethiopia's growth and transformation plan.

1.7 RESEARCH METHODOLOGY AND ETHICAL CONSIDERATIONS

Chapter 4 of the thesis discusses the methodology in greater detail. The researcher used a mixed methods research design. This approach enabled the researcher to undertake quantitative and qualitative research phases to gain an in-depth understanding of the topic. The researcher used an estimate of the informal sector workers who applied for registered MSEs in 2019 to determine the overall population of operators in the informal sector. This figure was 45,000 (27,000 males and 18,000 females). This is not updated and is by no means an exhaustive list. The dynamic nature of the informal sector prevents regular updating of the sampling frame, as noted by (Nordling, 2017), who characterised the informal economy as elusive. The target unit of analysis for whom the findings were generalised, was households in Addis Ababa with a young person currently

working in the informal sector. The detail of the sampling strategy is given in Chapter 4.

1.8 CLARIFICATION OF KEY TERMS

1.8.1 The demographic dividend

This refers to accelerated economic growth that can potentially start with changes in the population's age composition if there is a suitable policy to create jobs (Bloom & Canning, 2003:1). This change in the population's age structure offers a critical 'window' of economic opportunity creating a potential to reap the 'demographic dividend' in a country (Assefa, 2016). However, a mere increase in the size of the young cohorts in a population does not ensure that the potential of this dividend is realised. Although there are many different policy options to consider for planning for the divided, improving access to quality education and jobs, as well as investing in the healthcare key policy directives (Bloom, 2016).

1.8.2 The informal economy

According to the ILO (2018a:4), the informal sector is defined as a livelihood strategy mostly practised in the urban labour market, run by workers, and characterised by activities, such as irregular working conditions or lacking state regulation. In this study, the informal sector was operationalised to imply small businesses where young people in Addis Ababa cannot earn an income. The study included two types of informal sector workers. The first type is the unregulated informal sector workers, who are not registered by the government, often engaged in street businesses, often not traceable and mostly mainly migrants from different parts of the country. The second type includes regulated or MSEs that are registered, and government-supported businesses.

1.8.3 Micro and small enterprises

The ILO (2014) defines small businesses as those that create employment opportunities in the economy by focussing on entrepreneurship and management skills, women's entrepreneurship development, the formalisation of access to markets, and enabling environment reform. In this study, MSEs were defined as small businesses that have been temporarily registered and are in the process of formalisation. They are regulated business initiatives that have gained governmental support to develop as incubators of development.

1.8.4 Youth unemployment

According to Hassen, Benjamin and Abegaz (2023) the term refers the share of the labour force that is without work but available for and seeking employment. At present, Ethiopia faces a very high rate of unemployment, as two to three million new young people enter the labour market but lack formal jobs. This threatens the sustained and inclusive development of Ethiopia (ILO, 2023). In the thesis, youth unemployment is defined as the shortage of employment for the youth aged 18-29 years who are not in education or employment.

1.8.5 Formal sector

Stollreiter and Traub-Merz (2023) define the formal sector as the enterprises that are with well-structured legal and social laws that protect their businesses and staff. Moreover, the sector is legally registered, taxed and bound by laws and regulations. This thesis has not focused its analysis on the formal sector except in some instances where the researcher looked at the support that some formal agencies made to the growth of the informal sector. According to this study, the formal sector is defined as the organisations or businesses that are legally operating or mandated to organise, license, train, nurture, finance, and provide the working premises for informal sector.

This study found that the binary use of formal and informal does not provide a full picture of the empirical reality of employment relations in Ethiopia (Stollreiter &Traub-Merz, 2023). Hence, the study also focused on the continuum between the non-regulated informal and the regulated formal sector.

1.8.6 Policy environment

According to the Friedrich-Ebert-Stiftung (2023) the policy environment is defined as the public services and frameworks that support the development of informal sector, guide harnessing of demographic dividend, provide more productive jobs to rapidly growing numbers of young people entering to the labour market. However, 90 per cent of workers in Ethiopia are in the informal sector (Stollreiter & Traub-Merz, 2023).

The definition of policy environment in this research is the same as one stated above, except that the focus is on mechanisms that facilitate the transition of non-regulated informal enterprises to regulated ones. The policy environment is defined as the frameworks that include the policy tools, guidelines, institutions, authorities, and practices that hinder or promote the entrance into, effectiveness for, and determinants of the informal sector operations in the city. These elements are assessed around key factors that have strong correlation with the operation of the informal sector, including but not limited to, linkage to formal system, education, and skills condition, having the Addis Ababa residential ID card, ethnicity, working premises, loan availability, age, and sex of the business owners.

1.8.7 The age dependency ratio

The ratio of the population between the ages of 15 and 65 to that of people under the age of 15 and over the age of 65 (Bloom & Canning, 2003).

1.8.8 Woreda

This is the lowest administrative division of the city and the political level below the sub-city (CSA, 2013).

1.8.9 Old age dependency ratio

The population ratio in the ages over 65 is relative to those between the ages of 15 and 65 (Bloom & Canning, 2003).

1.8.10 Safety net

This thesis refers to the informal sector's role in serving as a "shock absorber" for some of the survival stresses brought about by increased cohorts of people needing income-earning opportunities. Thus, the informal sector is regarded as potentially functioning as a shock absorber or a safety net for youth unemployment, which is poverty and migration from rural to Addis Ababa.

Furthermore, this safety net role of the informal sector is linked with the dynamic elements of the demographic dividend. This means that demographic factors shape the economic development factors in a specific context and vice versa.

1.9 STRUCTURE OF THE THESIS

This thesis consists of eight chapters. The first chapter covered the background, the problem statement, the study's significance, and scope, limitations, and theoretical framework. The second chapter deals with a review of the literature and the chosen theoretical framework. In the third chapter, the researcher analyses pertinent policies. In the fourth chapter, the researcher describes the methods and methodological rigour followed. In the fifth to seventh chapters, the researcher presents the findings of the study. The final, eighth chapter, summarises the

discussion, with final conclusions and recommendations stemming from the analysis. Annexes and references are supplied at the end.

1.10 CONCLUSION

Ethiopia is at the crossroad between either missing the opportunity to harness its demographic dividend or wisely using the window of opportunity to develop the country. Some individuals in the youth cohorts have already fallen far behind in terms of economic livelihood opportunities, and many of them are joining the informal sector. The main purpose of this study was to examine the role, characteristics, and effectiveness of the informal sector in acting as a safety net for youth unemployment in Addis Ababa. A mixed methods research design was adopted, and 409 young people were selected for a quantitative survey and 22 critical informants for qualitative telephone interviews. This chapter detailed the research objectives, scope, limitations, importance, research methodology, and clarification of key terms that shaped the study.

CHAPTER 2: LITERATURE REVIEW AND CONCEPTUAL FRAMEWORK

2.1 INTRODUCTION

Due to the dynamics in demographic variables in Ethiopia, more people are added to the potentially economically active cohorts continuously, thereby widening the burden of youth unemployment and increasing the numbers of young people joining the informal sector (Rohlin, 2017; Mamuye, 2018, Assefa & Yismaw, 2019). Given the current fertility rate, mortality rate, dependency ratio, and population growth rate, the function of informal sector as a safety net has been vital for new labour market entrants.

In this chapter, the researcher looks at trends in key indicators, such as the labour force participation rate, the employment-to-population ratio, the factors that determine the effectiveness of the informal sector, and the relationships between these factors and socio-economic variables like income, food security, and education to examine the reality that lies beneath the demographic forces behind the informal sector. The chapter ends with a discussion of the demographic dividend as the theoretical cornerstone of the thesis.

2.2 THE DEMOGRAPHY OF ETHIOPIA AND IMPLICATIONS FOR INFORMALITY

A country's economic growth and job prospects are closely related to changes in the demographics of its people. Low birth and infant mortality rates impact a nation's socioeconomic development significantly compared to high birth rates and infant mortality rates (Hailemariam, 2016). The demographic transition theory (DTT) best explains this (Rohlin, 2017).

Figure 2.1 from Notestein (2019) depicts the four stages of DTT. The first phase is characterised by high fertility and high mortality rates, thereby keeping overall population growth balanced. This balance has neutral implications for the resources and population equilibrium. The second phase is regarded as characterised by high fertility and low mortality resulting in a high dependency ratio as a country develops. In the third phase, low mortality, and lower fertility lead to a decrease in dependency rates, as the number of incoming (young) cohorts declines while the number of adults entering the labour force rises. In this stage, larger cohorts of economically active persons contribute to production, assuming that these people are employed.

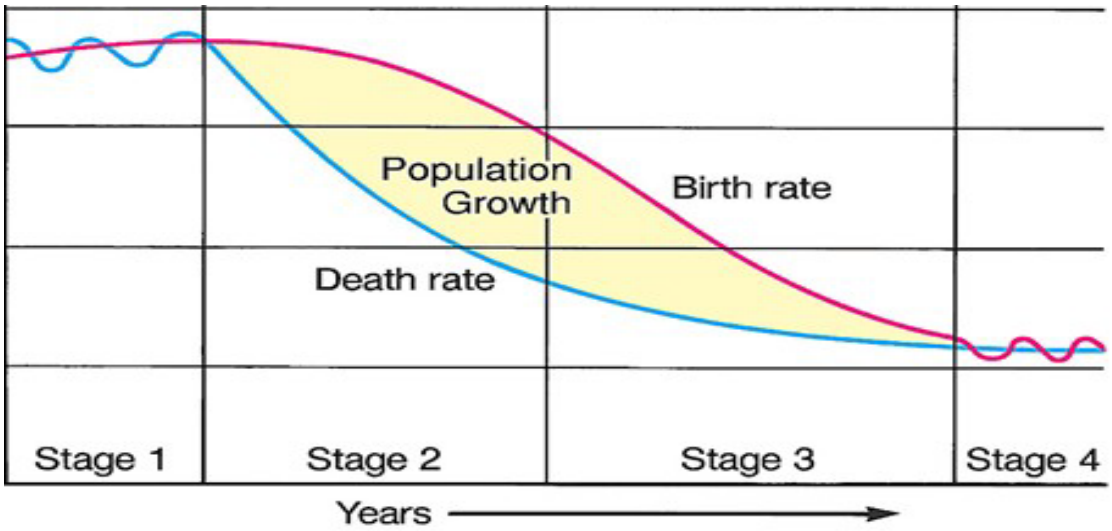

Figure 2.1: The four phases of demographic transition

Source: Notestein (2019)

Because these economically active people have fewer dependents, a larger fraction of the GDP can be allocated to other purposes, such as education and healthcare investments. This increases the productivity of the next generation of working-age adults, leading to a virtuous cycle that contributes to higher GDP. In

the last phase of the DTT, longer average life expectancy leads to an ageing population (Karra, Canning & Wilde, 2015).

Presently, the demographic dynamics in Ethiopia show declines in fertility and mortality trends, resulting in a relative reduction in the country's young dependent population about the working-age population. With fewer people to support in the future, the country will have a window of opportunity for rapid economic growth if the right social and economic policies are developed, and investments continue (Rohlin, 2017; Assefa & Yismaw, 2019; Mamuye, 2018). However, Ethiopia's demographic transition is in its early third phase in urban areas and its late second phase, as indicated in the sections below (Rohlin, 2017).

2.2.1 The implication of the dependency ratio for informality

A youthful population implies large cohorts of young people, and this is more of a challenge for the development of a country in the context of poor job creation, unemployment, slow economic growth, and rising poverty (Kögel, 2003:16). Sub-Saharan Africa has seen an increase in the number of persons in the dependent age categories during the past 20 years, from 38% in 1995 to 43% in 2016 (PRB, 2015 & 2016). However, during these two periods, Ethiopia's proportion of the working-age population climbed slightly from 51.2% to 55.7%. This rate is comparable to 60 years ago in South Africa (UN World Population Prospects, 2020). Due to the strong fertility of earlier generations, this substantial portion of the dependent population will last for ten more years.

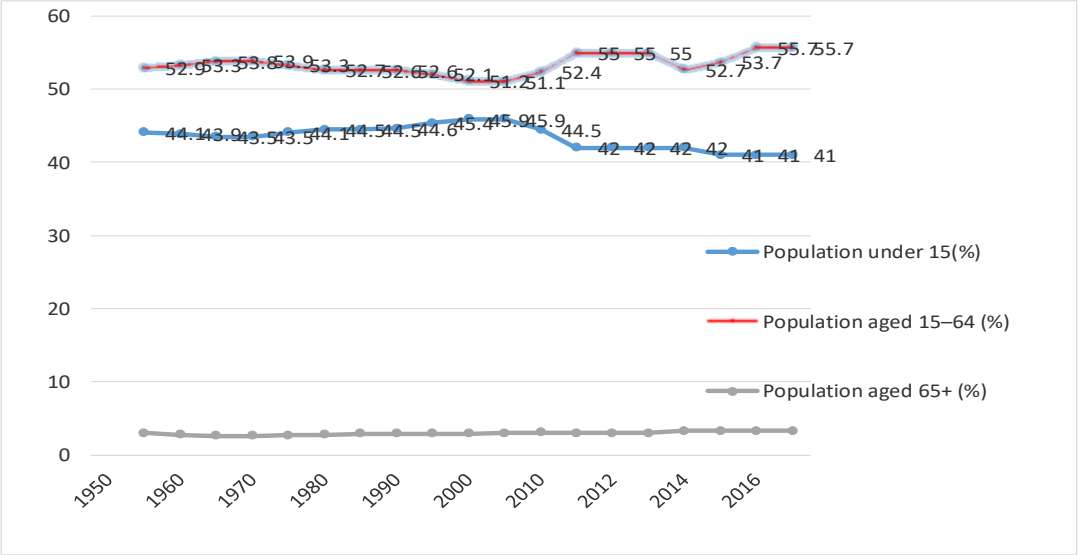

Figure 2.2: Ethiopia's working age population (ages 15-64 years) as a percentage of the total population, 1950 to 2016

Source: PRB (1995 & 2016)

The proportional share of under 15-years population decreased by 8% between 1995 and 2016, facilitating changes in the country's age structure. Although Ethiopia is showing progress regarding a demographic transition, the difference in the proportion of the under15-year population has not been significant for the last three decades (see Figure 2.2). The proportion of the population below 15 years of age declined from 48.2% in 1984 to 45.0% in 2007, declining further in 2012 to 44% and in 2018 to 41.7%. However, it remains high as it is more than double that of the developed countries, which stands at 20%. As a result, there is a large youth dependency ratio, with a large number of young people entering working ages, presenting cohort crowding for employment (UN World Population Prospects, 2020).

According to the UNDP (2018:2), the size of the working-age population, particularly those aged 15 to 29 years, is connected to the demographic shift, unemployment, and the informal sector. This demonstrates that Ethiopia could be headed in the right direction to take advantage of its demographic window of

opportunity and reap the rewards of a demographic dividend (Nkwe, Mukamaambo & Malema, 2017:11). Demographic shifts offer a small window of opportunity, but only timely and beneficial policies can turn this chance into sustained economic development.

According to Debela (2014:11), several factors, including increasing population pressure, a decreasing share of arable land per person, a deteriorating base of natural resources, hazards brought on by climate change, and a lack of employment opportunities, make it difficult for Ethiopia to take advantage of its demographic dividend. The demand for work has not yet been met by the economy's absorption capacity due to the growing youth bulge. As a result, many unemployed people move from rural to urban areas for economic opportunities. Sibhat (2014) notes that the majority of people in Addis Ababa come from the Southern Nations, Nationalities and Peoples Region, Amhara, and Oromia regions of Ethiopia, where there is greater population pressure. According to Sibhat (2014), around 76.47% of young people come to Addis Ababa for jobs.

According to the ILO (2017b:12), more young migrant workers are reportedly adopting the informal sector as a safety net. The MoUDH (2016) observes that many young people moved to the city hoping to obtain urban employment or work in the informal sector because the employment structure of the nation has mostly stayed the same. (Skinner & Haysom 2016:3) are positive about the ability of the informal sector to generate viable livelihoods and better-quality employment, but only when the correct policy approach is implemented.

2.2.2 Key demographic trends in Ethiopia

The researcher in the following section discusses major demographic characteristics such as fertility rate, birth rate, family planning, death rate, mortality rate, life expectancy, dependency ratio, and population distribution. Generally, the

demographic trends are characterised with declining birth rate, total fertility rate, death rate, infant mortality rate while increasing trend in use of family planning.

2.2.2.1 Total fertility rate (TFR)

The TFR comprises the average number of children born per woman, if all women had children according to a specific fertility rate at each age and lived to the end of their childbearing years (Hailemariam, 2016). This indicator illustrates the likelihood of demographic change in the nation. The replacement rate for a population, which results in relatively stable total numbers, is two children for every woman. Populations that have fewer than two children are ageing and are becoming smaller.

TABLE 1.1: TRENDS IN THE TOTAL FERTILITY RATE IN VARIOUS REGIONS AND ETHIOPIA, 1995 TO 2016

Regions	**1995**	**2001**	**2005**	**2010**	**2015**	**2016**
Less DC except for China	6.2	6.2	3.5	3.1	3	2.9
Sub-Sahara Africa	4	4	5.6	5.2	5	5
Northern Africa	4.4	4.4	3.3	3	3.4	3.4
West Africa	6.4	5.8	5.9	5.5	5.4	5.4
Middle Africa	6.3	6.6	5.7	5.9	6.1	6
East Africa	6.4	5.7	5.7	5.3	4.8	4.8
Southern Africa	4.2	3.1	2.9	2.5	2.7	2.5
Ethiopia	7	5.9	5.9	5.3	4.1	4.1

Source: PRB (1995-2016)

Ethiopia's TFR decreased from 7 in 1995 to about 4 in 2016 (see Table 2.1). When compared to other parts of Africa, this is a significant difference. For instance, the TFR in sub-Saharan Africa grew from four children per woman in 1995 to five children per woman in 2016, according to the Population Reference Bureau (1995 & 2016). In the same years, the overall number of children in East Africa decreased from 6.4 to 4.8. Ethiopia has one of Africa's highest rates of fertility reduction.

According to Gurmu and Mace (2008:15), when the per capita income rises, and child expenditure falls, the fertility reduction in Ethiopia will be reversed rather than continue on a predetermined downward trend. The popularity of reversible family planning techniques like injectable and tablet contraceptives lends credence to this hypothesis (DHS, 2016:138). Ethiopian couples not only favour big families, but also clearly favour male offspring (Hailemariam, 2016:4).

Despite the evidence suggesting a demographic transition, many regions in Ethiopia contest the official census results. Berhanu's (UNICEF, 2018:3; Abegaz, 2019) analyses of the Amara regional state's inter-census growth rate found a shortfall of 3.3 million people relative to the 2007 census. Wolayita Zone shows a shortfall of 500,000 people between 1994 and 2007, with a growth rate of 1.7% (CSA, 2007). Both regions questioned these statistics. Furthermore, in March 2019, the government postponed the implementation of the fourth national census day for a third time due to political pressure (The Economist*,* 2019:1). In the absence of clear official data, the dependency ratio at the household level will be used to describe the demographic characteristics of households with young people who earn a living from informal work.

2.2.2.2 Family planning

In comparison to other African nations, Ethiopia has made progress in implementing family planning techniques, as seen in Figure 2.3. Ethiopia's prevalence of contraception rose from 3% in 1995 to 37% in 2016. When

comparing this 12-fold growth to the other areas of Africa, a significant shift can be seen (PRB 1995 & 2016). The use of family planning is typically trending upward throughout Africa. However, Middle and West Africa have seen relatively little change.

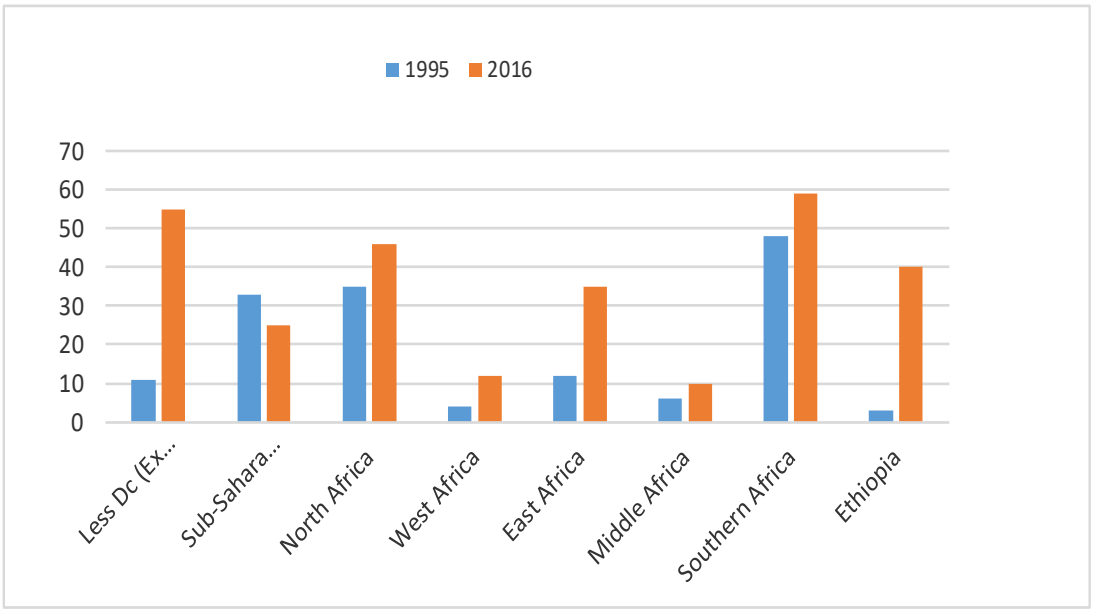

Figure 2.3: Percentage of couples using family planning in Ethiopia and African sub-regions between 1995 and 2016

Source: PRB (1995 &2016)

2.2.2.3 Crude death rate

The yearly average number of deaths per 1000 people at midyear is known as the death rate (PRB, 2016). While just a crude indicator of a nation's mortality status, the death rate reliably reflects the present mortality impact on population growth. Age distribution has a considerable impact on this statistic, and most nations will ultimately see an increase in the global death rate.

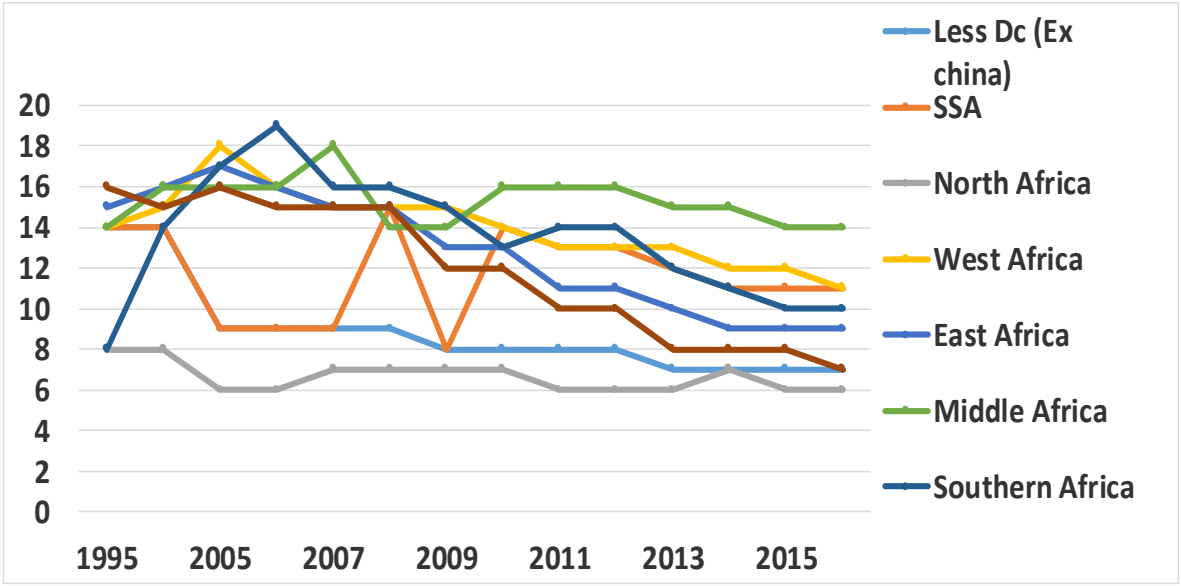

Figure 2.4: Changes in mortality rates in African regions in comparison to Ethiopia from 1995 to 2016

Source: PRB (1995 -2015)

The mortality has been dropping rapidly and steadily over the past 20 years, from 16% per 1000 people in 1995 to 7% in 2016 (see Figure 2.4). Within the context of extensive economic, political, and social transformations, this development is the most dramatic.

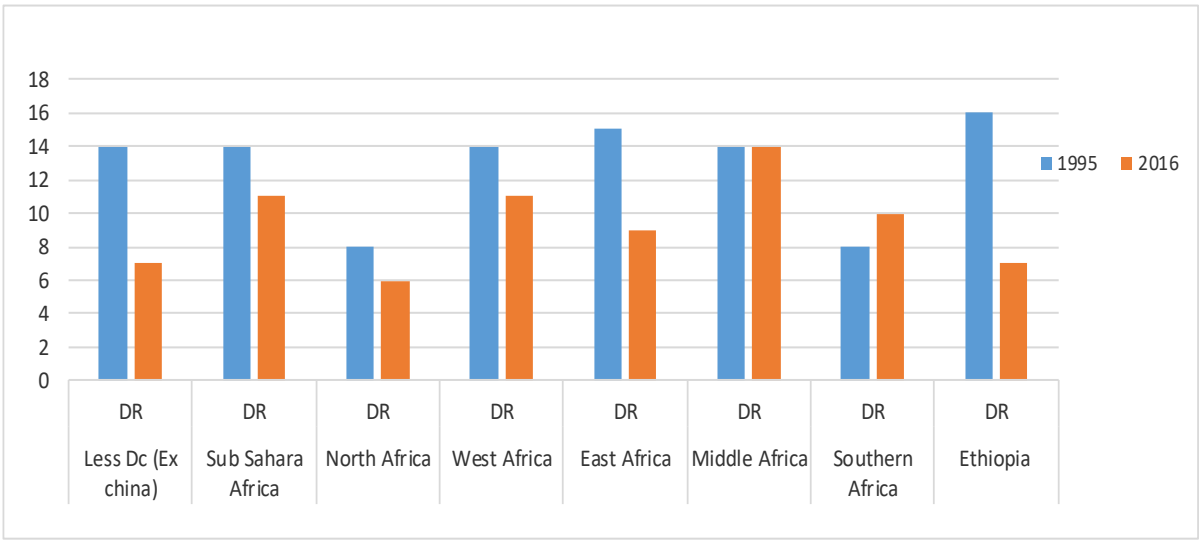

Figure 2.5: Crude death rates between 1995 and 2016 in various African regions and Ethiopia

Source: PRB (1995 & 2016)

Figure 2.5 demonstrates that, with the exception of the central and southern parts of Africa, where increases are shown between 1995 and 2016, the crude mortality rate has decreased in the majority of other regions.

2.2.2.4 Infant mortality rate (IMR)

For all of Africa, the IMR has decreased. However, as illustrated in Figure 2.6, the change in Ethiopia is dramatic. The drop is attributable to the nation's successful healthcare extension initiatives.

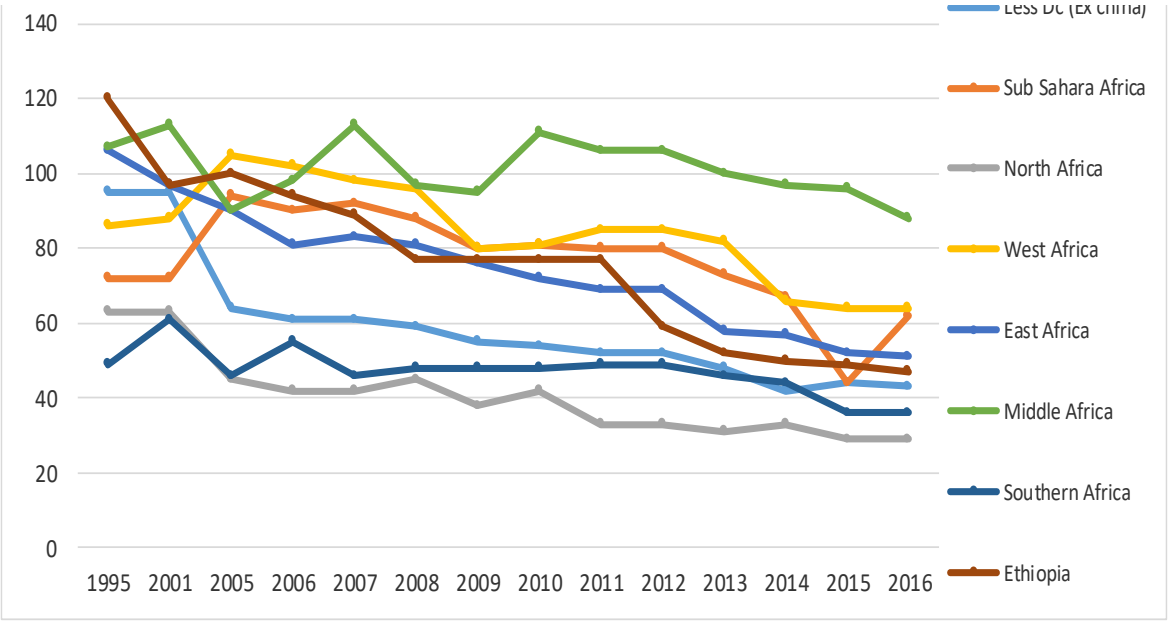

Figure 2.6: IMR in African regions compared with Ethiopia

Source: PRB (1995 - 2016)

According to the PRB (1995 & 2016) World Population data, in 1995, Ethiopia had the worst IMR in Africa, with 120 children dying out of every 1000 live births. However, in 2016, this fell to 47, giving it the largest change in Africa (see Figures 2.6 and 2.7).

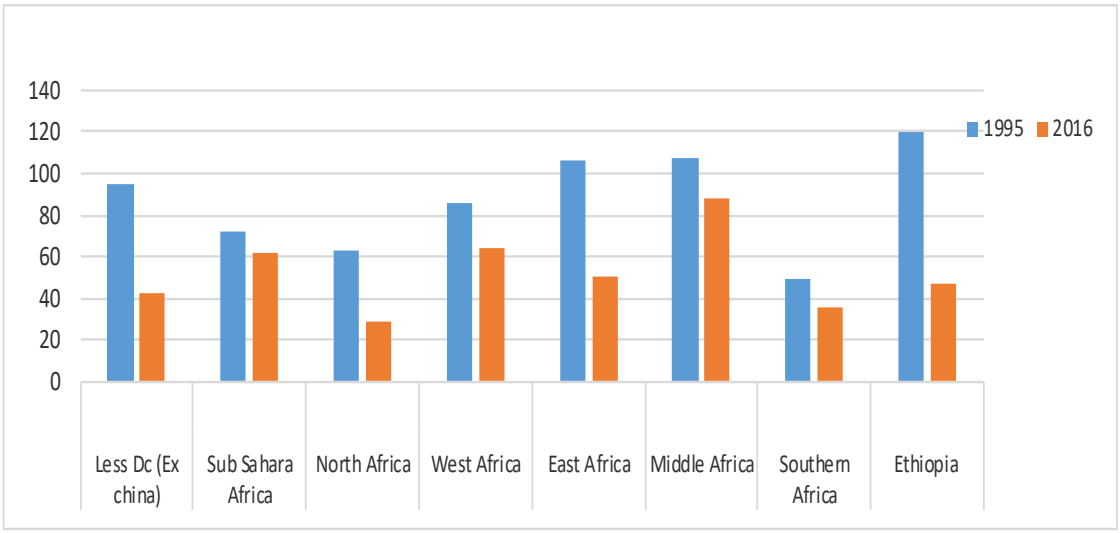

Figure 2.7: IMR in Africa and Ethiopia, 1995 and 2016

Source: PRB (1995 & 2016)

Figure 2.8 illustrates how the Ethiopian government has prioritised the growth of the healthcare sector during the past 20 years (MoH 2015).

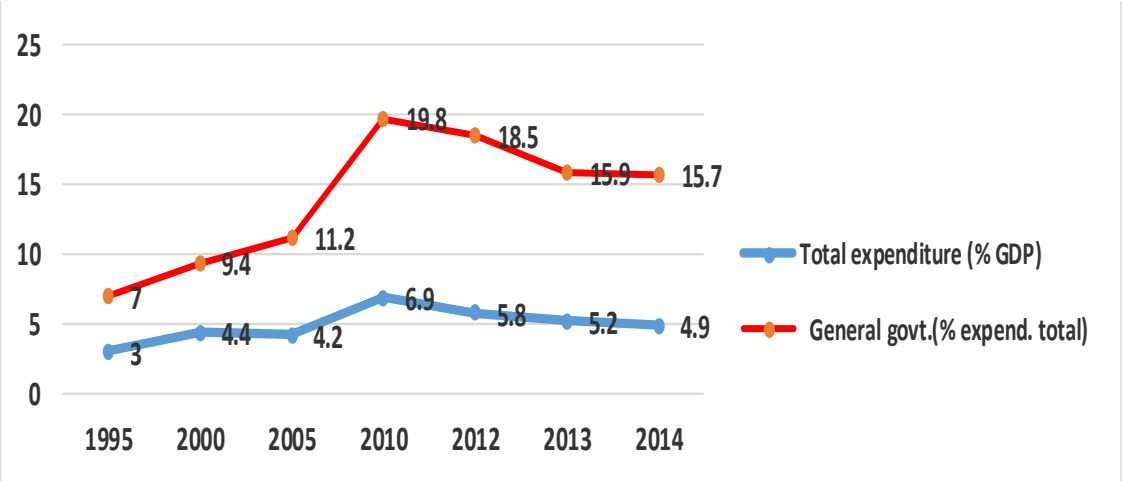

Figure 2.8: Ethiopia's share of the health sector budget in state expenditure

Source: MoH (2015)

Ethiopia has made a comparatively significant improvement over the past 15 years among the 40 nations, with a Human Development Index (HDI) score below 0.5, according to the UNDP (2019). Life expectancy has a greater impact on the increase in Ethiopia's HDI than the Education Sub-Index and the Income Index. Ethiopia is one of the top seven nations with poor HDI values as measured by the Health Sub-Index value.

However, the health sector faces obstacles, such as a lack of ability to adopt a decentralised health system, poor health service consumption, a lack of competent delivery and new-born care coverage, and subpar training results. Additionally, the US$ 16.1 per person national health spending was far lower than the US$ 34 that the WHO advised (MoH, 2015).

2.2.2.5 Life expectancy

The population's life expectancy at birth has increased significantly in Ethiopia as a result of changes in the demographic dynamics, according to the Population Reference Bureau (2015). In 2016, Ethiopia's life expectancy was 64.9 years, up from the 1960s when it was 36.7 years. In turn, women's life expectancy (66.9 years) is over four years higher than men's (63.0 years).

TABLE 2.2: LIFE EXPECTANCY IN SELECTED AFRICAN REGIONS, 1995 AND 2016

Region	1995	2016	Difference (years)
Less Developed Countries (Ex China)	52	67	15
Sub-Sahara Africa	62	57	-5
North Africa	64	69	5
West Africa	53	55	2
East Africa	50	60	10
Middle Africa	49	51	2
South Africa	65	60	-5
Ethiopia	50	62	12

Source: PRB (1995 & 2016)

Compared to other less developed nations throughout the world and other parts of Africa, this is a significant improvement. The life expectancy in Southern Africa and Sub-Saharan Africa is decreasing, as can be seen in Table 2.2.

2.2.2.6 Population growth trends in Addis Ababa

Ethiopia's population growth rate explains why the birth rate fell from 3% in the 1990s to 2.72 in the 2000s and then further from there to 2.4 in 2010. (DHS, 2016). Between 1950 and 2020, Addis Ababa saw an average annual population growth of one million people, which was due to both natural growth and in-migration. The city of Addis Ababa had a total population of 1,423,111 in 1984, an increase of 3.5% since the first census. Ten years later, the population had increased by 4.0% to 2,112,737. From 1984 to 2004, it doubled, reaching 2,805,000 (see Figure 2.9). Currently, the city's population is around five million (CSA DHS, 2019).

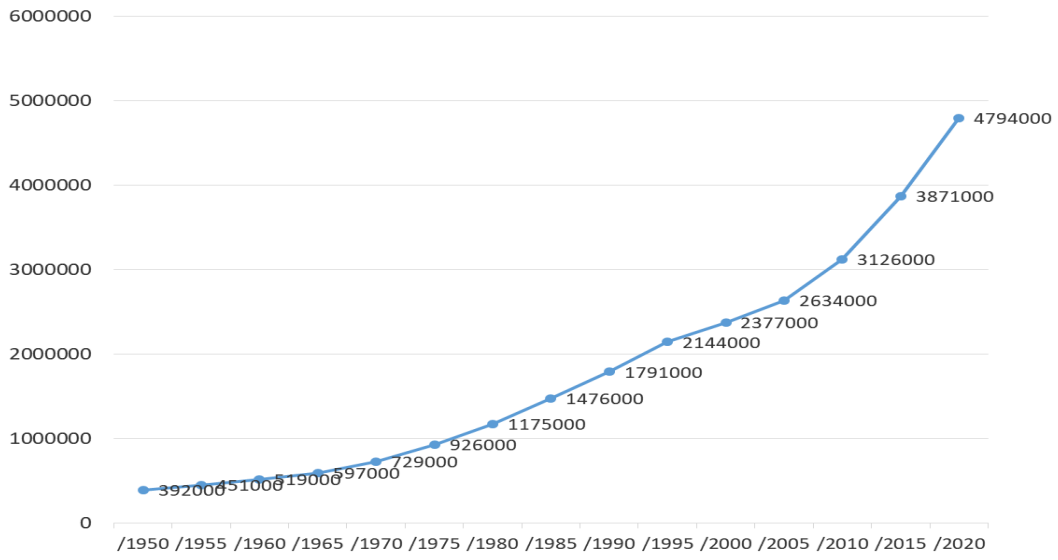

Figure 2.9: Addis Ababa population head count over seven decades

Source: DHS (2016)

Some DTT components can be observed in the trends in Addis Ababa's population growth rate. According to Figure 2.10, from 1950 until the middle of the 1960s, the population growth rate was less than 3%. Obviously, a growth rate like that does not suit the parameters of the first phase of the demographic transition because it is much below the replacement level. However, the modest growth rate is consistent with the idea compared to the next phase. With a 4% to 4.5% growth

rate from 1968 to 1984, the second phase was characterised by strong fertility and low mortality.

Slower development took place from 1984 to 1994. This historical period is important because it included a severe famine in Ethiopia from 1984 to 1985 that resulted in nearly 1.2 million deaths, 400,000 refugees, and 2.5 million internally displaced people. In addition, Ethiopia's military rule was replaced in 1991 by the Ethiopian People's Revolutionary Democratic Front (EPRDF). Over a million people died in fierce warfare during that time between the government and the alliance of rebel groups (Van Veen, 2016).

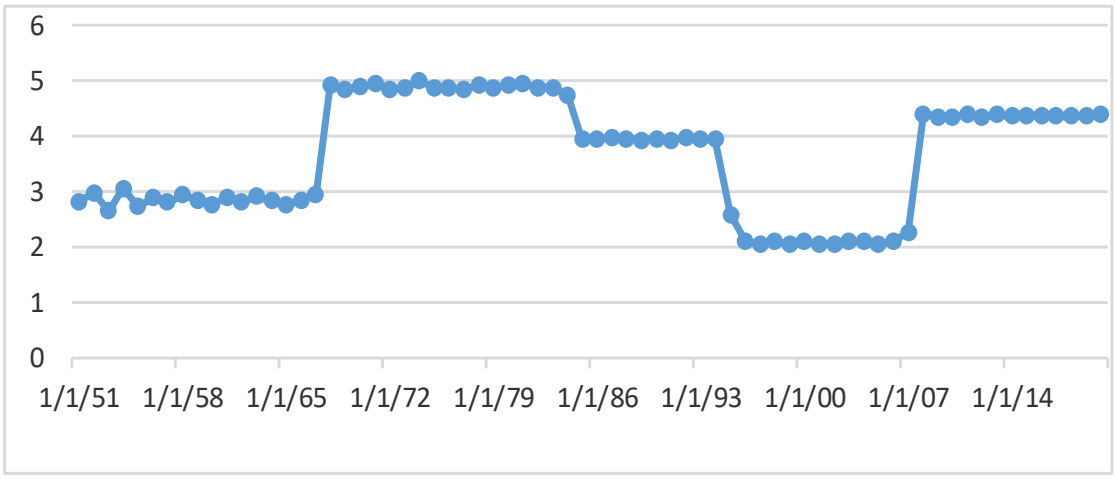

Figure 2.10: Addis Ababa population growth rate between 1950 and 2020

Source: UNDESA - World Population Prospects (2019 & 2020)

The researcher thinks that these events may have some connection to the fall in the population growth rate of this era, even though their demographic influence has yet to be well researched (Rohlin, 2017).

The third phase, which according to the DTT, has a low growth rate because of low fertility and low mortality, covers the years 1995 to 2007. In those 12 years, the population grew at a rate of 2.0 to 2.3%. In an effort to balance the population and available resources for development, the new administration created a population

control strategy during this time (Notestein, 2019). Lastly, in contrast with DTT, Addis Ababa's population expanded at a rate of 4.0-4.4% from 2008 to 2020. However, a rise in in-migration from the rural regions in pursuit of jobs and improved living conditions might account for this rise in Addis Ababa (CSA DHS, 2019).

According to research by Daniel, Dupas and Getahun (2018), recent migrants in the city have lower household sizes – 3.5 people as opposed to 4.5 for non-migrants – and are likely to have fewer children than non-migrants. Accordingly, they conclude that the informal sector workers who migrated to Addis Ababa prefer smaller families since raising children is expensive.

2.2.2.7 Population distribution

The most populated sub-cities in Addis Ababa are Kolfe Keraniy, Yeka, and Nefas Silk-Lafto, while Akaki Kaliti, Lideta and Arada have smaller populations (see Table 2.3).

TABLE 2.3: POPULATION PROJECTIONS FOR 2017 BY SUB-CITY

SUB CITY	MALE	FEMALE	TOTAL
Addis Ababa	1,624,999	1,809,000	3,433,999
Akaki Kaliti	110,435	116,747	227,182
Nefas Silk-Lafto	185,461	211,025	396,486
Kolfe Keraniyo	258,480	279,081	537,562
Gulele	161,078	174,356	335,433
Lideta	119,843	132,999	252,842
Kirkos	128,841	148,505	277,346

SUB CITY	MALE	FEMALE	TOTAL
Arada	123,445	142,696	265,141
Addis Ketema	155,478	164,575	320,053
Yeka	201,156	233,443	434,599
Bole	180,782	206,573	387,355

Source: CSA (2013)

Following the reorganisation of Addis Ababa in 2011, different Woredas, which are the smallest administrative units, were formed around the city. There are now 118 Woredas in Addis Ababa distributed throughout its ten sub-cities (see Figure 2.11).

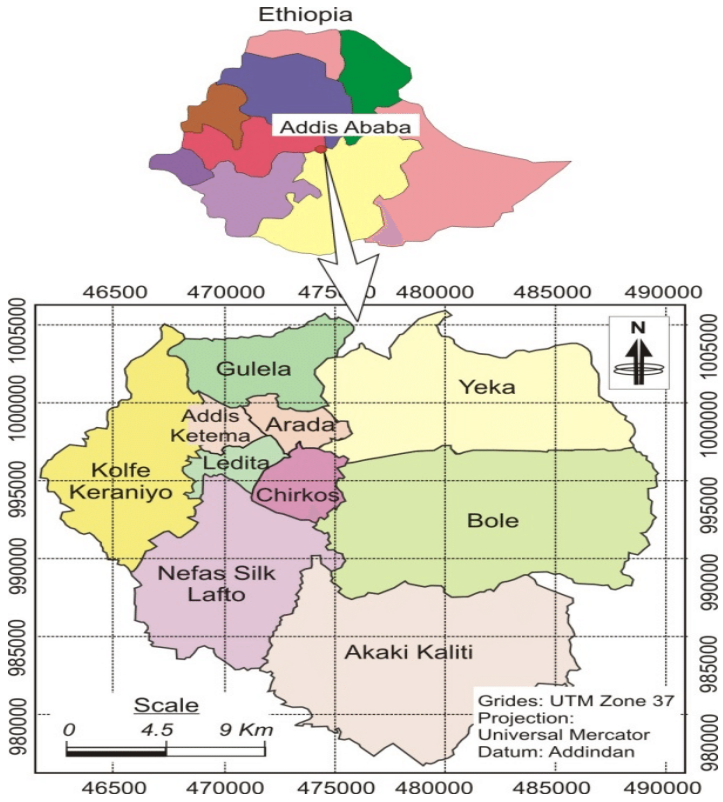

Figure 2.11: Addis Ababa's map with sub-cities

Source: CSA (2013)

As demonstrated by Daniel, Dupas and Getahun (2018), migrants to Addis Ababa typically live outside the city owing to the high cost of housing and perform informal work in the downtown area.

2.2.2.8 Age distribution, household size, and household head in Addis Ababa

The total household size in Addis Ababa is 4.2. That is lower than the average of the country. The key demographic indicators including household size, age, and gender are described to see their implications on the engagement of the informal sector.

(i) Total household size

According to CSA DHS (2019), 78.1% of household heads in Addis Ababa are men, and 83.6% are married. Of the overall working-age population, 27% are between 18 and 24; 30% are between 25 and 34; 20% are between 35 and 44; and 10% are between 45 and 54. more than 24% of the people are under the age of 14 years, while 36.6% are between the ages of 15 and 29. Household heads who reside in informal settlements make up 82% of the population, while those who were born in Addis Ababa constitute only 18.3% of the population (CSA DHS, 2019).

Between 2008 and 2013, Addis Ababa was the arrival point for 39% of all migrants to cities (Bundervoet, 2018). Surprisingly, Bundervoet (2018) found that migrants from the Oromiya and Tigray areas accounted for 17.6% and 1.6%, respectively, of the household heads in squatter communities. The majority of household heads (53.2%) were born in the Southern Nations Nationalities and Peoples (SNNP) region (mainly among the Wolaita), while 27.6% were Amhara natives. According to Bundervoet (2018), most people who migrated to Addis Ababa (68.1%) did so in search of employment. This illustrates how interconnected migration, poverty, and activities in Addis Ababa's informal sector are (Bundervoet, 2018).

The average total household size in Addis Ababa is 4.22, with an average of 2.72 adults and 1.75 children per home, according to the DHS (CSA DHS, 2019). This demonstrates that there are more adults than children in each home, indicating that there are more people of working age than dependents (CSA DHS, 2019).

(ii) Household head's age

According to the ILO (2018a), 78% of elderly people and 34% of young people in developing nations work in the informal sector. Tegegne and Penker (2016) report that 82% of the migrants in Ethiopia were unmarried and young when they left their place of origin (mean age of about 20 years). This designates youth unemployment as a major issue and has important demographic implications for the age distribution of the places of origin and destination in this movement.

According to Tegegne and Penker (2016), economic factors, such as unemployment, a lack of land or a limited amount of land endowment, and low agricultural production were the main drivers of migration. However, because they cannot obtain employment in accordance with their initial expectations, l during times of crisis, with young women appearing to be particularly affected.

Age and saving behaviour are statistically correlated substantially with younger families choosing to save until retirement, according to the UNECA (2018). However, this is not the case for workers in the non-organised sector, for which saving money or pension plans, as well as the idea of retirement, pose challenges. Therefore, it is essential to understand the safety net function of the informal sector in resolving the issue of young migration to urban regions (Gebremariam, 2017; Wakabayashi & McKellar, 1999).

(iii) Gender

Even though internationally, women have a lower percentage of informal employment than men do, more women than men work in this sector in over 90% of the countries in Sub-Saharan Africa (ILO 2018a). According to the DHS, from 2014, men head the majority of Ethiopian households at 78.1% (urban 74.8 and rural 80.9) and women head 21.9% of households (urban 35.2% and rural 19.1%). Other factors, including household income and work status, are subjected to this male dominance. However, according to the World Bank (2017a), women have a roughly three times greater chance of joblessness than males. In purchasing power parity (PPP) figures for 2016, women's gross national income per capita is $1,161 USD, while men's is $1,886 USD (World Bank, 2017a). Women are therefore left to the whims of unregulated work.

According to Gebremariam (2017) and UNECA (2009), female-owned businesses failed more than their male counterparts. The dominance of males in small businesses, might be attributed to societal views and cultural conventions that view women as inferior and limit their roles to caring for their families and performing domestic chores (Gebremariam, 2017). Mergo (2018) discovered that young women and girls are discouraged from pursuing technical and business-related fields of study and have less access to education and training. According to the ILO (2018a) research, women typically work with low-value and highly saturated commodities since they lack knowledge and are physically prevented from travelling to other markets owing to having to care for their families.

2.3 LABOUR FORCE DYNAMICS AND INFORMALITY IMPLICATIONS

In this section, the researcher has assessed the Labour Force Participation Rate; ratio of employment to population ratio; causes and consequences of youth

unemployment and other related topics that have significant implications with informality in Ethiopia.

2.3.1 Informality and the labour force participation rate (LFPR)

According to the ILO (2016), a country's economic structure and demographic dynamics interact to determine the patterns and rates of labour force participation. In order to assess how the population is behaving in the labour market, the ILO (2016) published metrics for labour force participation in its ninth edition of the KILM. According to the ILO (2016), the term "LFPR" refers to the relative size of the labour force that influences the quantity and makeup of a nation's human resources that are available for use in the production of products and services. It is one of the production variables that gauge how much labour is actively participating in the labour market in an economy, either by working or seeking for jobs. When discussing the labour force participation rate in Ethiopia, those who are 15 years and older, and employed, are included (CSA, 2018).

Ethiopia's LFPR for the cohort of individuals aged 15 to 24 years showed a significant increase in young populations between 1994 and 2018, rising from 69.1% to 80.9%. (World Bank Group, 2019c). Accordingly, the task is to give jobs to the youth population who are in the age range of 15 to 29 years. For instance, the number of young people between 15 and 24 doubled between 1999 and 2019, going from 10,251,443 to 21,869,068. It is clear that Ethiopia has many young people who are prepared for entering the job market when comparing the present LFPR of both Ethiopia and Addis Ababa with the world average of 62.3% and 65% for Sub-Saharan Africa (CSA, 2018; World Bank Group, 2019c).

Figure 2.12 shows that from 1999 to 2018, Ethiopia's LFPR trends are dropping, regardless of gender. At the national urban level, the proportion of the economically active population engaged in or available to be involved in the production of goods

and services is roughly 62% in 2018, down from 76.14% in 1999 (CSA, 2018; CSA, 2013).

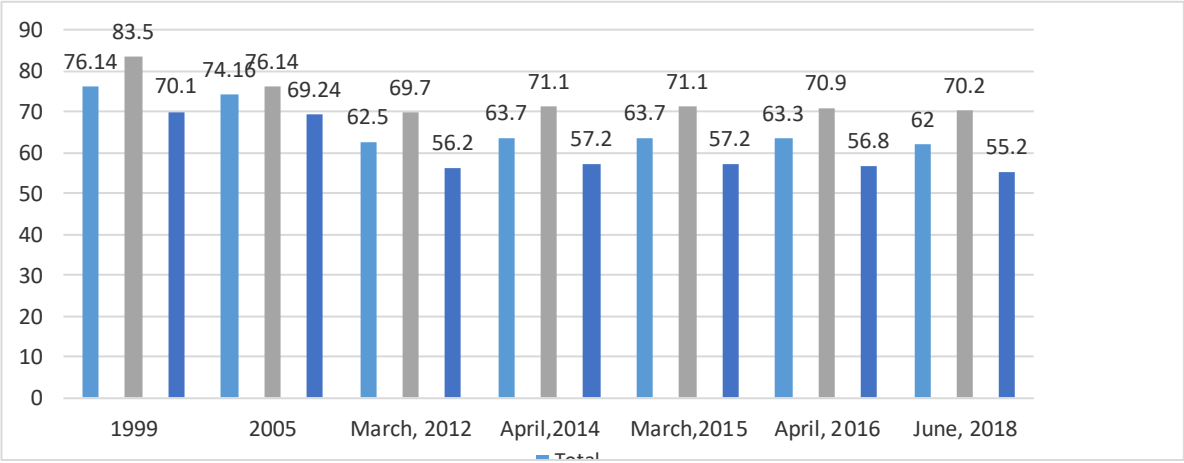

Figure 2.12: Ethiopian labour force participation trends

Source: CSA (2018; 2013)

Evidently, this number is still too high when compared to the 58.6% global average for 2018 (WB, 2017a). According to data from the World Bank (2017b), from 99 in 1997 to 79 in 2018, the percentage of the working-age population reliant on others, has decreased dramatically. The general drop in the fertility rate may have contributed to the decline in dependents and labour force participation. On the other hand, the LFPR in Addis Ababa is trending upward, going from 61.7% in 2012 to 64.5% in 2018 (see Figure 2.13). The flood of young people moving to the city is causing this rise.

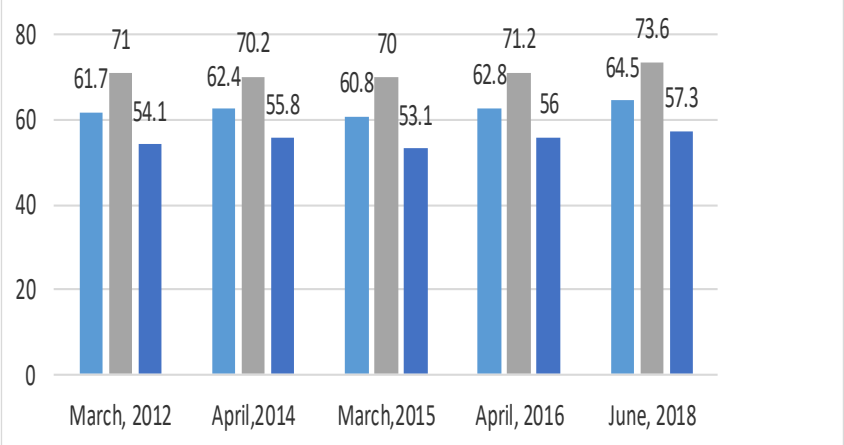

Figure 2.13: Addis Ababa's trends in the labour force participation rate

Source: CSA (2018; 2013)

2.3.2 Ratio of employment to population and implications on informality

The ratio of the percentage of the working-age population in a nation that is employed to the total number of population has been defined by ILO (2016) as the employment-to-population ratio. A low ratio indicates that a significant portion of the population is not directly engaged in activities related to the market because they are either unemployed or (more likely) not participating in the labour force at all. A high ratio indicates that a significant portion of a nation's population is employed (CSA, 2018). This ratio shows how well a country's economy can produce jobs (ILO, 2016).

One of the indicators for SDG Goal 8/1b is "achieving full and productive employment and decent work for everyone, including women and young people", and can be tested by the employment-to-population ratio (UN, 2016:12; ILO, 2017a). According to the AfDB (2019), 12 million new jobs must be created annually to accommodate additional workers in Sub-Saharan Africa. Although Africa saw one of the biggest development surges during the previous 20 years, this expansion has not been favourable for job creation. Only a 0.41% increase in

employment was correlated with the 1% rise in GDP growth between 2000 and 2014 (AFDB, 2015).

Additionally, the ILO (2020a) study showed that before the COVID-19 pandemic, worldwide employment increased annually between 2.5 and 3% from 2000 to 2019. As a result, there were 71% fewer jobs globally and 33 million more people were unemployed in 2020 (ILO 2020a). Ethiopia was not an exception to the epidemic and its effects; according to the ILO, the yearly working-hour losses as a result of the pandemic in Nigeria and Ethiopia were 8.9% and 9.5%, respectively (ILO, 2020a). The ILO (2020b) demonstrates that the COVID-19 situation is disproportionately affecting those who often operate in the informal economy since the actions used to address it have had a negative impact on the self-employed.

Figure 2.14 depicts a minor shift in Ethiopia's employment-to-population ratio from 46.8% in 1999 to 50.1% in 2018, demonstrating improved success for women (MoLSA, 2012).

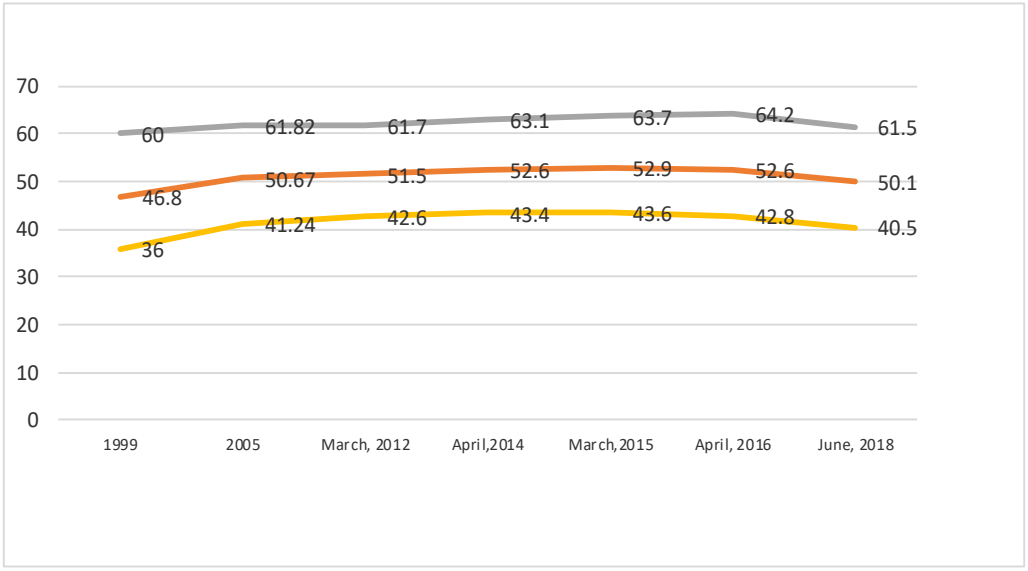

Figure 2.14: Urban Ethiopian employment to population ratio

Source: MoLSA (2013)

In the context of Ethiopia, the figure was highly high in absolute terms. For instance, the employment-to-population ratio reached its maximum level in 2008 at 64.8%. In this year, there were 43,436,612 people over the age of 15 years were of working age, of which 36,733,144 were employed. Even in this prosperous year, there were 6,703,400 jobless people (MoLSA, 2013; EDC, 2018).

The employment-to-population ratio in urban areas was 50.1% in 2018 (CSA, 2018), as shown in Figure 2.15. The gender disparity reveals that there are more men (61.5%) than women (40.5%). Addis Ababa's employment-to-population ratio gradually shifted from 47.5% in 2012 to 51.3% in 2018, largely favouring women. However, the denominator would have been bigger and the ratio, would have been lower if the statistics for in-migrants to the city had been considered.

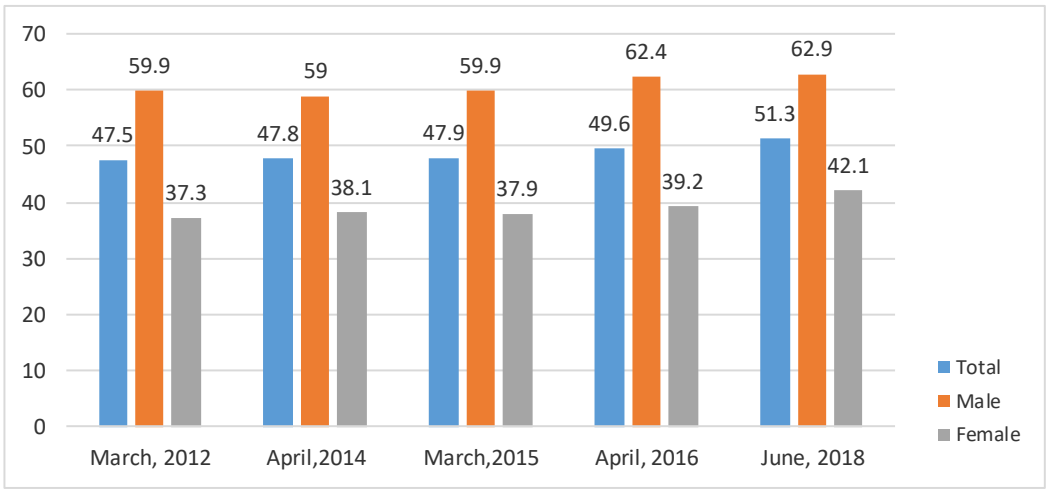

Figure 2.15: Addis Ababa's employment to population ratio

Source: CSA (2018)

Figure 2.16's employment-to-population ratio for young people aged 15 to 24 years shows a progressive fall from 73.5 to 68.5 in 2019, indicating that the economy's ability to accommodate new arrivals by providing work is being tested (World Bank Group, 2019a). This translates into a sizable number in absolute terms. Only 11,524,357 of the 14,712,789 people in the working age population, or those between 15 and 24, were employed in 2008.

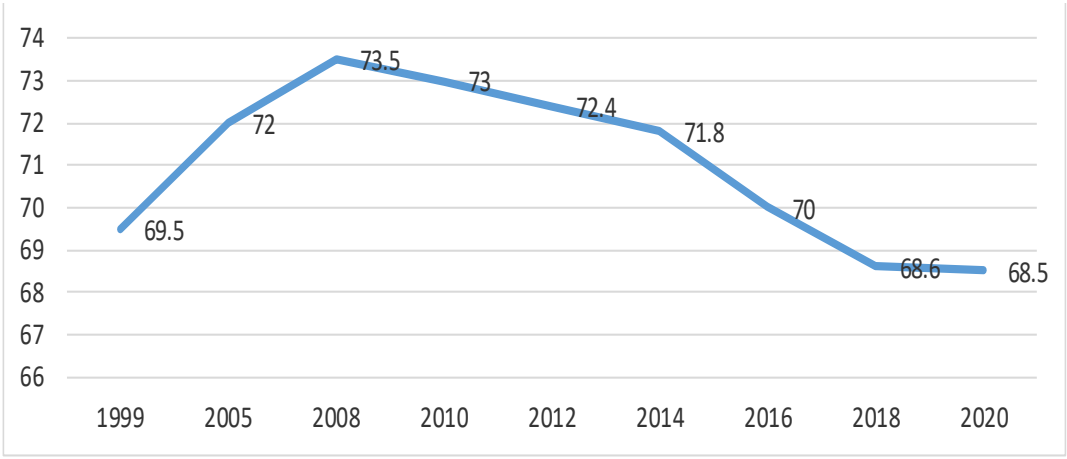

Figure 2.16: Employment to population ratio (%), ages 15 to 24

Source: CSA (2018)

Figure 2.16 shows a diminishing trend for the labour force for both men and women from 1999 to 2018. Although further study of the dynamics of the labour market is required, the rising youth bulge, which demands more work opportunities and increased enrolment in primary education through to tertiary education, may be to blame for recent job seekers' inactivity. Another theory is that older employees were laid off during Ethiopia's structural adjustment in the 1990s and early 2000s because their abilities did not meet the demand, resulting in structural unemployment (CSA, 2018).

2.3.3 Youth unemployment: causes, levels, and consequences for informality

Unemployment is one of the most important indicators of the labour force situation and pattern of economic activity, according to the ILO (2016). Nearly 43% of the world's young labour force, according to Seife, Marjoke and Dominic (2018:1), are either jobless or working but still living in poverty.

According to the World Bank Group (2019a), Ethiopia's key problems include lowering poverty rates and providing gainful employment for the nation's sizable young population. Additionally, the informal sector employs around 69% of the

economically active labour force in the city, and more than one in four Ethiopian homes report an adult without a job, compared to one in ten households throughout all metropolitan regions (Jayne, Yeboah & Henry, 2017:6). Due to the country's growing working-age population, agriculture must create many jobs. Despite the government having made significant efforts to generate employment, from 2000 to 2017, the rate of youth unemployment remained unchanged (see Figure 2.17).

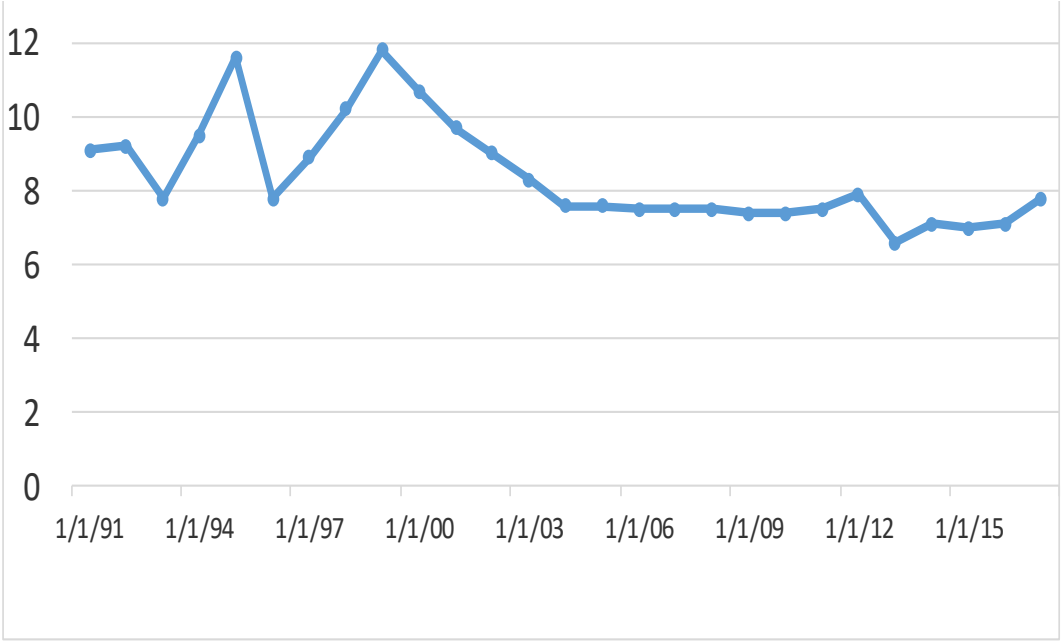

Figure 2.17: Youth unemployment trends

Source: World Bank (2019a)

According to the IMF (2014), the following are the primary causes of Ethiopia's unemployment:

- Demographic dynamics: 65% of the population is under 24 years old, which results in an average annual increase of 1.2 million new job searchers.
- Skills mismatch: The school system is not preparing the next generation effectively for the skills needed, which has resulted in significant unemployment and underemployment, particularly among young people.
- The absence of work possibilities in labour-intensive industries and sectors like tourism and textiles makes it challenging to provide sufficient employment opportunities.

- Access to finance: The development of jobs is hampered by poor financial access, a weak domestic savings reserve, and poor resource mobilisation.

The MoLSA (2012:12) cites high population growth, restricted development of formal work possibilities, and rural-to-urban migration as the primary reasons of unemployment in Ethiopia. Even those with education spend an average of four years without a job (Zelalem, 2014:64). As a result, an increasing number of Ethiopians travel overseas or search for employment in the capital province and other urban regions. Most jobless people are found in the 15 to 20 age group (MoLSA 2012). Youth unemployment on a large scale has fuelled the growth of "street vending."

Even in the years of strong economic expansion, Ethiopia's unemployment and underemployment rates increased due to the imbalance between the rate of future labour force growth and the rate of job creation. Approximately 73% of the nation's population will be under the age of 29 years in the not-too-distant future (AfDB, 2015; MoLSA, 2012:3).

According to Yaregal (2018), illiteracy is one of the leading causes of youth unemployment, along with the nation's subpar economic performance and a greater rate of rural-to-urban migration. To solve the issue, the state encouraged the development of 8 million jobs between 2005 and 2013, with the agricultural sector alone accounting for two-thirds of that growth (UN, 2019) and the remaining jobs being created by MSEs or the regulated informal sector. As a result, the CSA (2018) figures that the unemployment rate is occasionally decreasing. Figure 2.18 shows that from 1999 to 2012, the jobless rate significantly decreased, falling from 38.6% to 17.5%.

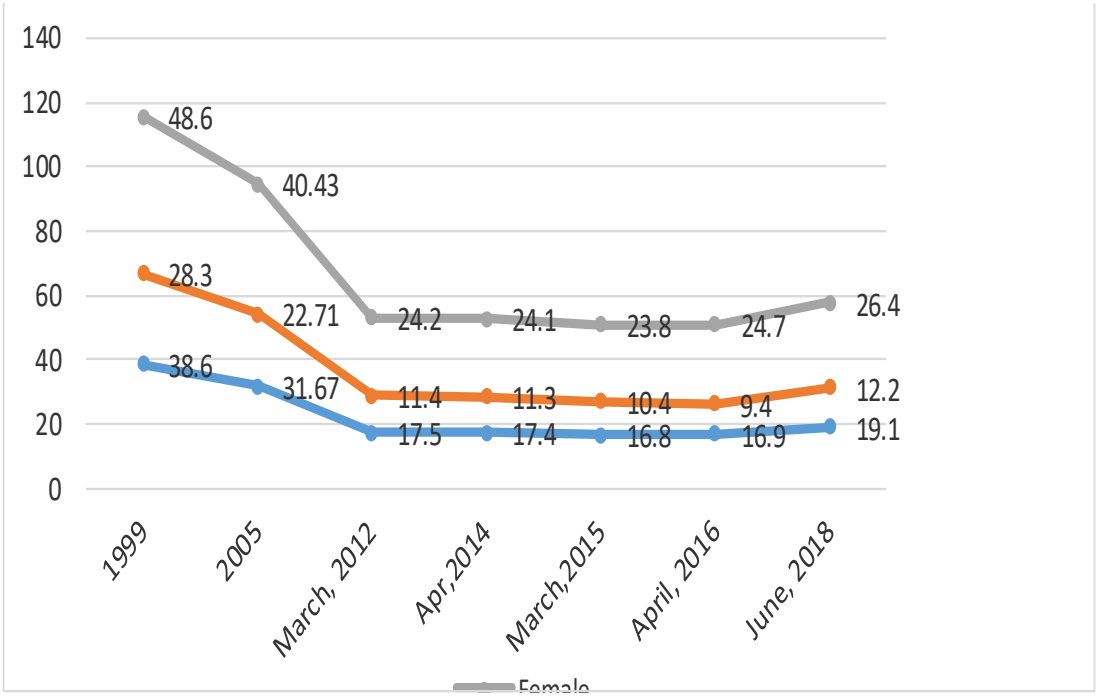

Figure 2.18: Ethiopian unemployment rate

Source: CSA (2018); World Bank (2019a); MoLSA (2012)

Figure 2.18 demonstrates that the drop in the unemployment rate of the female population is more dramatic, going from 48.6% in 1999 to 26.4% in 2018. (CSA, 2018). Figure 2.19 shows that between 2012 and 2018, the unemployment rates for both men and women steadily decreased from 23% to 20.2%. In 2003, Addis Ababa's unemployment rate was 33%; by 2014, it had decreased to 24% (MoLSA, 2012:3).

According to Tarfasa, Ferede, Kebede and Behailu (2016), the improvement in production growth that led to increased employment expansion and productivity caused the decline in unemployment. The unemployment and poverty rates in Ethiopia have declined along with the country's economic progress. However, despite even though employment has increased faster than the rate of economic expansion, unemployment is still high, especially among young people and women. Ethiopia is now seeing favourable developments in terms of female involvement in the labour market and in education. However, compared to men,

women are significantly underrepresented in the formal economy and in professional positions (UNDP, 2018).

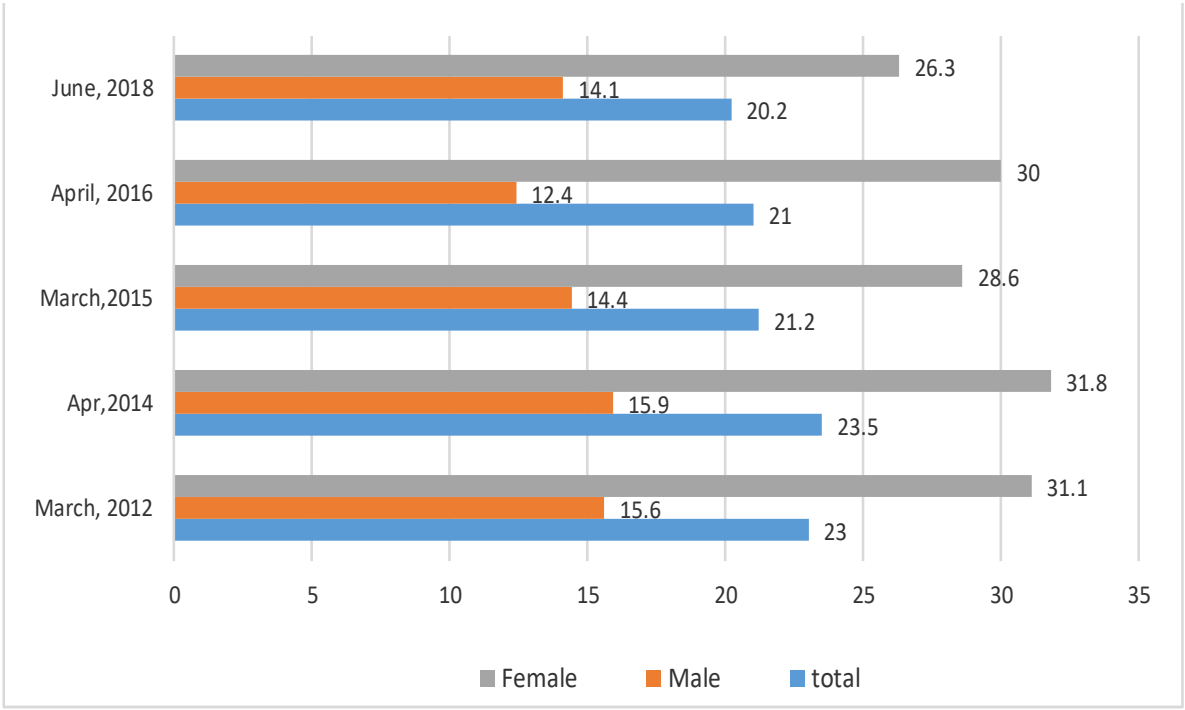

Figure 2.19: Addis Ababa's unemployment rate

Source: CSA (2018)

There may be other causes for the decline in unemployment. For instance, individuals seeking employment for a while may have become disheartened and ceased registering, categorising them as discouraged workers" (ILO, 2016). This apparent decline in unemployment appeared to be accompanied by greater access to education (Daniel, 2016). As a result, every month's unemployment computation uses a different denominator, or number of workers. Furthermore, the lack of employment in the public sector is linked to self-employment or casual labour, which encourages young people to engage in the informal economy (UNECA, 2018).

2.4 OVERVIEW OF INFORMALITY

The following section addresses major issues concerning the meaning, history, types, characterises, the purpose of informal sector and how it serves as safety net to unemployed youth.

2.4.1 Definition, short history, and purpose of informality

The below section highlights the definition, short history and the purpose of informality.

2.4.1.1 Definition of the informal sector

Generally, the informal sector:

- Is part of the urban labour market.
- Includes household-run or own-account workers.
- Is characterised by irregular working conditions, falling outside legal sanction, or lacking state regulation of any sort (ILO, 2003:12).

Achieving the SDG Goal 8 will require addressing informal employment, which is difficult to assess, monitor, and address given the concept's diversity, according to the ILO (2019:14). The size of the unit below a certain level of employment as well as non-registration of the business or its employees under particular forms of national legislation are therefore the common defining markers that are typically used. The number of workers, the number of sales, and the value of assets are therefore used to describe MSEs in Ethiopia (Ermias, Regassa, Hassen, Yimer & Yifredew, 2017:2).

TABLE 2.4: DEFINITION OF ETHIOPIA'S REGULATED INFORMAL SECTOR/ MSES

CATEGORY	SECTOR	NO. OF EMPLOYMENT	TOTAL CAPITAL
Micro	Industry	≤ 5	≤ BIRR 100 000 ($3 000)
	Service	≤ 5	≤ BIRR 50 000 ($1 500)
Small	Industry	From 6 -30	≤ BIRR 1 500 000 ($40 000)
	Service	From 6-30	≤ BIRR 500 000 ($15 000)

Source: Addis Ababa MSEs Agency (2016); Abdunnasir et al. (2018)

Debrah (2007:5) categorises the informal sector as legitimate and non-legitimate. The legitimate types include:

- **Services:** Operators of restaurants and bars, hairdressers/ barbers, domestic workers, and shoe-shiners.
- **Retail/ trading:** Street vendors/ traders, home veranda traders, market/food stuff traders.
- **Crafts and manufacturing:** Tailors, construction workers, weavers, embroiderers, food processors, and beverages processors.

Debrah (2007:5) identifies the criminal informal sector to include drug dealing, prostitution, armed robbery, money laundering, smuggling, black market commerce, and illicit currency exchange. The lawful informal sector will be the main subject of this investigation. This does not imply that the research solely looks at licensed MSEs; it also covers employees in the unregulated informal sector, such as those engaged in street vending. Since there is no criterion to define the informal sector, Benjamin *et al.* (2014) demonstrate that the distinction between regulated and non-regulated informality is hazy. The junction of the economic relations of production, distribution, and employment creates a continuum known as informality. Thus, the continuum ranges from pure, "formal," controlled and

protected contacts to pure, "informal," unregulated and exposed relations (Benjamin *et al*., 2014).

According to Chen (2012), there are other categories between the two extremes of this continuum, and employees and units are known to travel along the continuum with variable ease and speed, and work simultaneously at various positions along the continuum. Regarding the continuum, Kanbur (2015) argues that it would be preferable to stop looking for a singular conception of informality and instead think of it as a variety of "mind sets". According to Kanbur (2015), some of the most frequently accepted informality mindsets are:

- Because economic activity drives informality, it is constrained in scale, internal organisation, and competitiveness.
- That informality is only concerned with state rules and regulations, with informality being outside the state's scope. The relationship between regulation and the existence of informality is further clarified by this.

2.4.1.2 Short history

Although informality has a long history, the idea was first raised in the 1940s by Dutch anthropologist and colonial administrator Boeke (1942) (as quoted in Kanbur 2015). Following this, the Lewis model of dualism divided the economy into two categories in the 1950s and 1960s: a modern capitalist sector that prioritises profit maximisation and market orientation; and a traditional sector in rural and urban regions that served as a labour reserve for the modern sector (Pettinger, 2019).

Keith Hart, a well-known anthropologist in studying the concept of informality, coined the word "informality" in the 1970s (Hart, 1973). According to this theory, "formal" revenues derived from regulated economic activity, while "informal" incomes came from activities not subject to regulation. The ILO (2018a) began employing a standard international definition through the ICLS process in the 1970s as well (ILO, 2018b). In addition, the Harris-Todaro perspective on dualism,

which emerged in the 1970s, emphasises that the informal sector is competitive and lacks market power, while the formal sector is susceptible to regulation (Kanbur, 2015). Deregulation, according to (Kanbur, 2015), is the most effective strategy for reducing informality.

2.4.1.3 The purpose of the informal sector

In many countries, especially those with high rates of population growth or urbanisation, where the informal economy tends to absorb the majority of the growth in the labour force, the informal economy plays a significant role in the creation of employment, income generation, and production, according to the ILO's 2016 KILM 8 report (Pettinger, 2019).

According to UN-Habitat (2006:12), the strict regulatory requirements for the formal sector may promote the spread of informality. For instance, the OECD only has six requirements for starting a legal firm, but in Africa and South Asia, there are eleven and nine, respectively. Like registering a legal firm only takes six days in the OECD, it takes 63 days in sub-Saharan Africa and 46 days in South Asia. The cost as a percentage of GNI/per capita was 8 in the OECD, 225.2 in sub-Saharan Africa, and 45.4 in Asia (Debrah, 2007:5). This suggests that the legal framework in sub-Saharan Africa does not promote employees in the informal sector to launch legitimate firms.

Tasisa (2014:32) and Seyoum (2015: III) show that small enterprises are efficient and dynamic in countries where they have been given the opportunity to develop and access appropriate support. They agree that entry to informality is driven by increased urban populations with urban centres unable to provide adequate support in absorbing these migrants. For example, in Egypt informality is motivated by the inability of the formal sector to generate adequate jobs to absorb a growing labour force (Debrah, 2007:8). In addition, skill mismatches, high costs and

regulatory barriers, poor governance, corruption and increasing demand for low-cost goods and services cause informality.

MoFED (2016) describes the main causes of informality in Ethiopia as three shifts. Firstly, shifts in the demographic conditions mean that a rising number of young people enter the labour market. This contributes to an annual addition of about 2.5 to 3.0 million young people to the labour force, with an annual average increase of 3.2%. Such fast growth in the supply of labour force exacerbates the inadequate employment situation in the country. Secondly, geographical shifts occur because of internal and international migration. Thirdly, qualitative shifts happen in response to a rise in literacy rates that requires accelerating the pace of job creation in the economy.

As a result, the study by ILO specified that a higher number of young migrant workers are entering into the informal economy as a safety net for their livelihood (ILO, 2017b: 12). MoUDH (2016) states that as the employment structure of the country has not changed significantly, most of the youth bulge migrated to the city in the hope of finding urban jobs but end up joining the informal sector. Skinner and Haysom (2016:3) conclude that the informal sector is well suited to generate viable livelihoods and better-quality employment if a 'smart' policy approach recognising the informal sector is instituted. They recommend that the informal sector be recognised as an integral part of the economy as the formal sector growth alone is unlikely to reduce unemployment sufficiently in South Africa.

Ageba and Amha (2006:11) analyse the reasons for entering an informal sector and found that 38.4% are due to the skills of operators, 16.5% due to the presence of parents in this business, 43.6% thought it would be profitable, 5.7% due to few regulatory restrictions, and 32.2% due to the lack of alternatives.
AfDB (2016) explains the main justifications that people give for working in the informal sector are that:

- Is fast-growing and dynamic, and hence creates more than double the number of jobs than the formal sector-
- Is pro-poor, offering a refuge to non-wealthy workers and entrepreneurs who could not survive without it.
- Provided affordable goods and services to low-income groups.
- Is inclusive, meaning that informal employment can empower vulnerable groups even at low wages.
- Is market-driven, unlike the formal sector, where minimum wage laws determine salaries.
- Is flexible, meaning that the informal economy operates free from burdensome regulations.

2.4.2 The informal sector as a safety net for youth unemployment

Although there are arguments suggesting that an expanding informal economy represents a 'drag on growth', the World Bank Report (2019a:7) emphasises the developmental role of all forms of employment, informal as well as formal. It suggests that informal jobs can be transformational. AfDB (2019:6) and the World Bank (2019b:116) assert that the informal sector, long seen as a problem, is turning out to contain entrepreneurial talent that can foster job creation if adequately enabled by government policies. Meagher (2016:485) and Korany, El-Sayy and Serag (2018:6) mention the positive role of the urban informal sector in absorbing rural migrants. In Egypt, the informal economy is more dynamic, pro-poor, flexible and resilient than its formal economy, creating more than double the number of jobs than the formal private sector and contributing a large share of GDP and savings (Debrah, 2007:9).

According to CSA's (2007) *Urban Employment/Unemployment Survey,* nearly three-fourths of the urban employed population in Ethiopia is engaged in services, and retail, and 10% constitute professionals together with technical and associate professionals; with legislators and senior officials making up the smallest share at

a mere 2.5%. This implies that most employed labour force is involved in informal sector activities. As shown in Table 2.5, the distribution of the organised informal sector (MSEs) comprises of about 40% cooperatives, 46.4% groups of individuals, and the remaining 14% individual operators in 2006.

According to the reports from Addis Ababa City MSEs Agency (2016), Ethiopia has regulated informal sectors by organising them into MSEs. In 2010, there were about 6 471 MSEs in all the sub-cities, and this figure increased to 35 125 MSEs in 2015. The enterprises created employment for about 83 243 individuals in 2010 and this has grown to 318 458 operators in 2015. In this regard, these jobs are carried out by 44% of women and 40% of the owners and/or managers of these enterprises are women. Tesgera (2018) and Tasisa (2014) conclude that the role of the informal sector in increasing household incomes was significant in Ethiopia. Tesgera (2018) found that half of the respondents in his study have gained 15 000 Birr in a year and 15% earn 30 000 Birr and above. Of these MSEs, about 26.7% were in construction, and 74.3% were in food processing, metal and woodwork, clothing and apparel and municipal activities.

TABLE 2.5: TYPES OF ENTERPRISES BY WOREDAS AND SUB-CITIES

			TYPE OF ENTERPRISES						
Sub City	Woreda	Enterprises by Ownership	Construction	Manufacturing	Service	Trade	Urban Agriculture	Entrepreneurship	Total
Addis Ketema	7	Private	4	13	15	35	1	8	76
		Shared	2	7	6	55	1	15	86
		Cooperative	11	9	12	15	1	10	58
		Total	**17**	**29**	**33**	**105**	**3**	**33**	**220**
	9	Private	16	25	7	5	1	8	62
		Shared	11	23	19	5	2	19	79
		Cooperative	13	12	6	5	1	6	43
		Total	**40**	**60**	**32**	**15**	**4**	**33**	**184**
Yeka	8	Private	17	32	16	1	22	0	88
		Shared	27	16	7	4	4	0	58
		Cooperative	38	32	122	0	1	0	193
		Total	**82**	**80**	**145**	**5**	**27**	**0**	**339**
	10	Private	7	21	12	10	0	0	50
		Shared	4	13	4	7	1	0	29
		Cooperative	22	7	9	2	0	0	40
		Total	**33**	**41**	**25**	**19**	**1**	**0**	**119**
Gulele	3	Private	2	13	6	15	1	1	38
		Shared	10	6	6	25	0	4	51
		Cooperative	16	9	6	5	0	1	37
		Total	**28**	**28**	**18**	**45**	**1**	**6**	**126**
	5	Private	2	11	12	20	1	5	38
		Shared	17	16	8	32	0	9	58
		Cooperative	14	11	9	10	0	6	35
		Total	**33**	**38**	**29**	**62**	**1**	**20**	**131**

Source: Micro and small-scale enterprises development agency, Addis Ababa (2016)

According to the Informal Sector Survey (CSA 2018), women dominate in both categories (operators and employees). The share of women in the total number of persons, operators and employees stood at 60%, 59% and 65% respectively. Added to this, a number of individuals were involved in both formal employment and equally engaged in the informal sector as an additional income, due to the low wages in the formal sector. For example, in 2012, the average monthly salary in Ethiopia was estimated at US$ 70, which is remarkably low when compared to the average wages of Kenya (US$ 440), and Tanzania (US$ 230) (UNECA, 2018:20; AfDB, 2016).

The Addis Ababa MSEs agency provided training to 109 564 people; business development services to 22 026; and organised support groups for 118 615 regulated informal sector workers from 2008 to 2012 (MoUDH, 2016). This means that the sub-cities and the Woredas have organised and created employment opportunities in construction, manufacturing, services, and urban agriculture under different enterprises.

TABLE 2.6: NUMBER OF EMPLOYMENT OPPORTUNITIES CREATED BY MSES

BUDGET YEAR	2004	2005	2006	2007	2008	2009	2011	2012	TOTAL
Employment opportunities created	45,351	107,283	20,131	64,945	134,611	90,529	58,000	110,639	631,489

Source: Addis Ababa MSEs Report (2016)

However, as shown in Figure 2.20, the safety net role of the informal sector in Ethiopia is not increasing in line with the level of unemployment. Furthermore, data extracted from different sources revealed that the proportions of persons who worked in the informal work decreased from the years 1999 to 2018 (CSA, 2018). The proportion of women who engaged in the informal sector declined from 85.2% in 1999 to 28.2% in 2018 and within the same years, the share of men declined from 53.36% to 17.1%. The declining trend is also true of Addis Ababa, revealing male operators declining from 12.9% in 2012 to 9% in 2018, and within the same years, female operators from 12.36% to 8.3% (CSA DHS, 2019; Abdulkadir & Ali, 2013; CSA, 2018).

In a context where the employed population has not increased and where migration to the city is increasing, the decreasing trend concerning people engaged in the

informal sector is a surprising. The reason might be the data captured only those involved in the regulated informal sector. However, the majority who have migrated to the city and engaged in the non-regulated sector have no identification cards, and therefore operate beyond the control of the MSE's offices. The agency records only those who come to the office for applications to be processed in the MSEs (MOUDH, 2016). Another possible reason for the underestimation might be the definition that the government gives with regard to the informal sector. The government reports organised MSEs as regular employment, and do not regard them as an informal sector. They are licensed, taxed, audited, or undergo legal processes (CSA, 2018).

AfDB *et al.* (2012), the ILO (2009: III), and Nordling (2017:8) contend that the informal sector has experienced low productivity, insecure incomes, and low pay. Given that wages are usually much lower in the informal sector, the poverty rates are higher amongst workers and families who rely on informal employment. Verick (2018:7) points out that the informal sector lacks health and environmental standards and occasionally exacerbates congestion in city centres. Furthermore, some of the challenges that hinder the efficiency of MSEs in Ethiopia include:

- The lack of access to technical and financial support.
- Stakeholders who use MSEs for political purposes, instead of development.
- Inadequate stakeholder participation.
- Community perceptions that MSEs are minor income generating sources.
- Lack of entrepreneurial skills (MSEs, 2016; Tasisa, 2014).

In addition, Mbaye (2019) concludes that half of the informal businesses at the beginning fail due to a lack of sufficient capital, inadequate skills and a lack of premises followed by challenges concerning access to raw materials and obstacles posed by government regulations. One third of the establishments shut down due to a shortage of working capital, limited market, and health problems during the operation stage.

Gebremariam (2017) concludes that the high failure rate of MSEs is due to a lack of innovation and weak support from the government. Ermias *et al.* (2017:2) suggest that the strategy of the government has failed to tackle the critical issues of poverty and unemployment reduction.

Thus, this makes the relationship between demographic push factors and the pull of employment opportunities in the informal sector a critical part of the story. Consequently, the current thesis is built on the assumption that the informal economy is already acting as a safety net for the unemployed youthful population, yet its actual dynamics need to be studied and must receive greater attention in the policy frameworks attempting to harness the positive effects of the demographic dividend. Hence, balancing the country's population growth with the labour demand can aid reasonable job creation, poverty reduction, and economic development (MoUDH, 2016). For this to happen, this thesis highlights the necessary social policies and implementation challenges to foster pro-poor economic growth favouring the informal sector.

2.4.3 Determinants of the effectiveness of the informal sector to act as a safety net for youth unemployment in Addis Ababa

There are some economic, political, demographic, and institutional factors that affect the effectiveness of the informal sector in Ethiopia. The section hereunder explores these characteristics.

2.4.3.1 Indicators for the effectiveness of the informal sector

The EU (2018) defines "effectiveness" as a "good practice" that is successful in attaining a specific intention; and has had a positive effect on individuals and/or communities. Drbie and Tilaye (2013:25) agree that the effectiveness of the informal sector is gauged in terms of its ability to create gainful employment, increase income, support to pursue studies, and enable to save adequate amount

of money. Chen (2012: 17-18) adds to these four broad goals behind informality, namely increasing income; creating jobs; regulating informal jobs; and increasing productivity of informal enterprises. She concludes that if these goals are implemented fruitfully there is growing agreement in development policy circles that the sector is effective. Still, there is limited consensus and ongoing debate regarding how to implement these goals.

Furthermore, the Ministry of Urban Development and Housing of Ethiopia (MoUDH 2016), stipulates in its MSEs policy and strategy that MSEs are the key instruments for job creation in urban centres, whilst job creation pivotal in the country's development plan. However, Tesgera (2018) states that jobs in small enterprises are less productive, less rewarding, less secure and less unionised. Therefore, what matters is not being employed, but how much a person earns.

In contrast, the FAO (2017) regards income as the main performance indicator for the informal sector as a source of livelihood for the poor. Many women seek employment in the informal sector as the main source of income and tend to use the income mainly to meet the basic needs of their households, particularly food, rent, and school fees for children and health care services. Hence, it seems plausible to conclude that the effectiveness of informality is more meaningfully linked to a change in income than any other indicators. The sheer size of the growing labour force employed in the informal sector is not enough for the youth to realise the demographic dividend. Accordingly, Canning *et al.* (2015) stress that the demographic dividend means that the per capita income is an outcome variable, and decisive for other development indicators. In line with this, it is possible to gauge this continuous variable by getting estimated income data from the respondents before and after joining the informal sector. It enables the researcher to estimate the effectiveness of the informal sector's ability to serve as a safety net for the unemployed youth pushed into this sector.

2.4.3.2 Characteristics that determine the effectiveness of the informal sector to be a successful safety net for youth unemployment in Addis Ababa

There are several economic, political, and institutional factors that affect the effectiveness of the informal sector in Ethiopia. The MoUDH (2016) alleges that the firms that have limited access to technology, skills, capital financing and markets, working premises, market linkage, and training are less effective than those who have more access to such facilities. The ILO (2017a) lists the characteristics that make the informal sector effective, such as: improved access to education and skills development; access to financial services; access to business services; access to markets; and access to infrastructure and technology.

The FAO (2017) points to demographic characteristics that have implications for the effectiveness of the informal sector, such as gender, the dependency ratio at household level, the age of the head of the household, household size, social standing, and ethnicity. For instance, young women below the age of 30 are discouraged from earning a living in the informal sector in Africa due to fears about their security, harassment, and views on gender roles (FAO, 2017).

2.5 ECONOMIC DEVELOPMENT AND IMPLICATIONS FOR INFORMALITY

Economic development and informal sector are intertwined. The growth and the structure of economy, access to land, prospects of the youth for better life, the access to finance and saving are key issues that have implication on informal sector engagement.

2.5.1 Economic growth, the youth dependency ratio, and implications for informality

Bloom and Canning (2003) stress that changes in a population's age structure have a positive effect on the economic growth. For example, Ireland's lower fertility led to higher labour supply rates per capita and increased saving. However, the annual average percentage change of economic growth of African regions was either extremely slow or on a downward spiral from the years 2000 to 2019. For example:

- Central Africa from 5.7% in 2000-2005 to 3.6% in 2019.
- East Africa from 4.9 to 5.9%.
- North Africa from 4.1% to 4.4%.
- Southern Africa from 4.1% to 2.2%.
- West Africa down from 7.1% to 3.6% (ILO, 2009: 9; AfDB, 2019).

Kögel (2003:24) clearly indicates that the youth dependency ratio (YDR) has a negative effect on economic growth as the higher YDR reduces aggregate savings. Economies do not automatically generate formal employment, and young people join the informal sector. The highest percentage share of the informal sector is found on the African continent, for example in Benin, Tanzania, and Zambia (ILO, 2009:10). The ILO (2009:27) and Assefa (2016:32) show that employment growth in the formal segment of the economy in most countries has lagged behind the growth of the labour force, and these trends are likely to continue in future. The average informal employment as a percentage of non-agricultural employment from 1995 to 2000 comprised 72% in Africa, with the highest percentage in Benin, Kenya, and South Africa (UN-Habitat, 2006:14). Moreover, Gebre (2012:6) and Wakabayashi and McKellar (1999:12) found that the change in saving rates vary inversely to the dependency ratio, putting downward pressure on the household economy. However, the success of the potential increase in the income, savings, food security, and wellbeing are determined by an effective policy to promote employment.

Ethiopia's economic policy environment focuses on the transformation of the agricultural sector to lead other sectors and, consequently, the whole national economy, Ethiopia, allocates 15% of the budget for this purpose, and is one of a few countries in Africa that fulfilled the Maputo 2003 commitment that prescribes the allocation of 10% of their budget to agriculture (Welteji, 2018:2). Agriculture was the predominant sector contributing 54.9% to the GDP growth in 2004/05. However, in subsequent periods, its contribution to the GDP growth has consistently declined, reaching 24.9% in 2014/15.

The contribution of the services sector to the GDP growth, on the other hand, rose from 37.5% to 46.1% over the same period. The contribution of the industrial sector to the GDP in terms of both growth and share, has been increasing, albeit from a low base. The sector's growth rate and its share with regard to the GDP, were 21.7% and 15.2% in 2014/15, respectively. These low levels signal that economic transformation has yet to take place (MoFED, 2016).

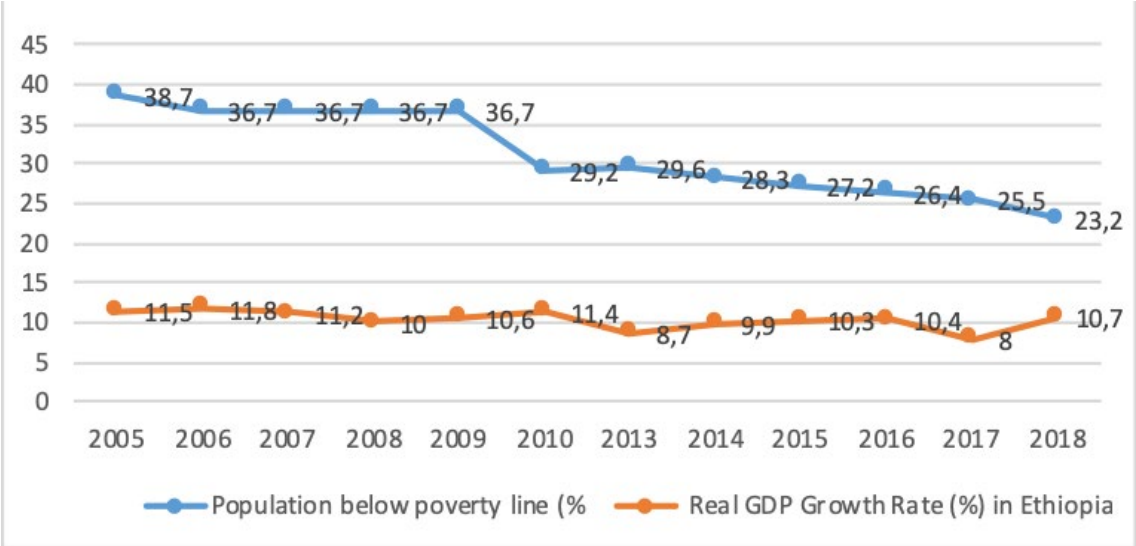

Figure 2.20: Changes in the population below the poverty line and real GDP growth rate

Source: NBE (2017)

Ethiopia has recorded impressive trends concerning the real GDP growth rate over the last two decades, and, in turn, exhibited a significant decline in the population above the poverty line (see Figure 2.21). In the years 2004/05 to 2016/17, Ethiopia registered a relatively high economic growth, with an annual average real GDP growth rate of 10.8%, one of the fastest growth rates in the world (NBE, 2017). In 2000, Ethiopia had one of the highest poverty rates in the world, with 55.3% of the population living below the poverty line of US$1.90 PP per day and 44.2% of its population were living below the national poverty line (MoFED, 2016). In 2016, the percentage of the population below the national poverty line fell to 23.5% (MoFED, 2016).

The increasing trend in the economic development is partially attributed to the increasing gross domestic revenue collection of the country which grew to 53.9 billion Birr, 186.6 billion Birr, 231.8 billion Birr, and 256.6 billion Birr in 2009/10, 2014/15, 2015/16, and 2016/17 respectively. Nevertheless, the tax revenue of the country was low at an 11.6% share in GDP in 2016/17. The plan was to increase this share to 17.2% by the end of the GTP II period (2019/20). In addition, the value of Ethiopia's HDI for those years was 0.396 on average, ranking 173 out of 187 countries (AfDB, 2019:10).

Nevertheless, as the agricultural sector is unable to accommodate the rapidly growing labour force in the rural areas plus, due to a slight increase in the service sector that pulls the youth, there is an increasing rate of rural-urban migration to the city (Assefa & Yismaw, 2019.). In the cities, due to the lack of skills development and education, coupled with the failure of the formal sector to generate additional employment, most young people are forced to participate in informal activity as the most immediate alternative to earn a livelihood.

2.5.2 Land shortage, migration, and informality

In a context where 72.7% of the work force is engaged in agriculture, 7.4% in industry and 19.9% in services, access to land in Ethiopia is a considerable challenge for new entrants to the working age group (Abdulkadir & Ali, 2013). Consequently, the unemployed labour force who have no opportunity to get gainful employment migrate from rural to urban areas in search of better livelihoods. According to Sibhat (2014), the origins of migration to Addis Ababa are mainly from the parts of Ethiopia where the population pressure is higher, including the SNNPR, Amhara, and Oromia. For example, in Wolaita, the main source of migration to Addis Ababa, 67% of the population has less than 0.5 ha of land. Sibhat (2014) notes that about 76.47% of the youth migrate seeking employment in Addis Ababa.

Bezu and Holden (2014) state that access to farmland is the constitutional right of the village residents of Ethiopia, but it has become difficult to fulfil this right for the young generation because of increasing land scarcity. There are limited opportunities in Ethiopia to obtain agricultural land, which include getting land from the village administrative authorities in their community or from their parents. Land cannot be bought or sold in Ethiopia and because there are restrictions on land rental markets. Currently, however, land administrators in the highlands of Ethiopia have a limited capacity to accommodate the young rural residents. Amphune and Desalegn (2012) show that about 95% of the youth in Ethiopia secure some type of individual access to farmland from the fathers, and only 5% obtain land from the government land administrative authorities. This demonstrates that land access through the government no longer serves as a safety net for youth. Thus, the youth are looking towards employment options apart from agriculture.

Welteji (2018:2) states that agriculture, on which the majority of the population depend, and which is the main source of employment, is characterised by low productivity, as it still largely comprises subsistence, rain-fed and fragmented smallholdings, and uses inefficient traditional technology. Bezu and Holden (2014)

and Daniel, Dupas and Fafchamps (2018) point out that the average household farm size in Ethiopia is 1.22 hectares, but 57% of the households have farm sizes less than one hectare. The mean farm size is 0.86 hectares, which sustains an average household size of seven people. Half of these households cultivate 0.5 hectares or less, but there is a significant variation across areas.

Tegegne and Penker (2016) explain that migration was predominantly motivated by economic reasons, the main reasons being landlessness or small land endowment (64%), unemployment (58%), and low agriculture productivity (33%). They have found that at the time of departure, 82% of the migrants were single and young (mean age about 20 years). Traditionally the fathers' land is divided among children and then to the next generation through inheritance. Household plots are sub-divided into smaller and smaller sub-plots over time. Bezu and Holden (2014) reveal that the average number of brothers and sisters in the Southern parts of Ethiopia were 3.6 brothers and 3.5 sisters respectively who expected this amount of land to be divided among each other.

In a study conducted by Amphune and Desalegn (2012), 95.7% of the migrants indicated that the reasons for rural-to-urban migration are the shortage of land, poverty, and unemployment. Bezu and Holden (2014) explain that, on average, over 100 (mainly poor) migrants move into Addis Ababa per day, crowding the markets for employment, housing, and land.

IFAD (2016) indicates that the main reasons for leaving farming and migrating to urban areas is a lack of access to information, a lack of credit and negative perceptions about farming. IFAD (2016) argues that migration mostly flows from rural areas to urban areas and entails short-term relocations during the off-farming season. However, Seyoum (2015) concludes that 85% of migrants that have moved to urban areas due to poverty and unemployment, and food insecurity, live in the city permanently. Subsequently, the ILO (2017b) indicates that the city of Addis Ababa suffers from acute poverty, exacerbated by demographic pressures

and extensive levels of unemployment. Nevertheless, although the value of the work is an issue, the informal sector makes a substantial contribution to the lives of many. The ILO (2018b) estimates that the average contribution of the informal sector to the total GDP of Ethiopia as around 20%.

2.5.3 The economic context of Addis Ababa

Due to the legacy of development policies in the past half a century, most of the industrial and service sectors are concentrated in Addis Ababa. According to some estimates, about 68% of the medium and large-scale manufacturing establishments were found in the city and the remaining establishments were distributed among a few urban areas of the countries (CSA, 2018). As a result, the economic base of Addis Ababa is mainly income and employment in the service sectors, including wholesale and retail trades, the informal sector, hotels and tourism and others.

The industrial sector accounts for the second largest employment and income sources, mainly comprising the food processing industries, textiles, metal and metal works, chemical and other small scale, and cottage industries. According to the CSA (2018) survey, there were 3,852 small-scale manufacturing industries in Addis Ababa that employed 11,545 people (see Table 2.7). Together with large and medium scale industries, small-scale manufacturing contributed to about 35% of the total GDP. Handcraft and cottage industries (most of which were informal) accounted for 49,539 establishments and employed 86.5% of the total employment in manufacturing industries (excluding large and medium scale establishments).

TABLE 2.7: NUMBER, EMPLOYMENT AND VALUE ADDED BY THE MANUFACTURING SECTOR

DETAILS	HANDICRAFT AND COTTAGE	SMALL SCALE INDUSTRIES	TOTAL
Number off establishments	49 539	3 852	5 3391
Persons engaged	74 485	11 545	86 030
Gross value of production ('000 Birr)	253 794	17 4458.9	199 852.9
Gross value added	95 018	73 627.9	168 645.9
Fixed assets ('000 Birr)	9 602	108 514.9	118 116.9
Value added/worker (Birr)	1 275	6 377	1 960
Production/Worker (Birr)	3 407	15 111	2 323

Source: CSA (2018)

The services sector comprises a range of activities including wholesale and retail trade, hotel and catering and tourism. The CSA (2018) indicates that the number of service and trade establishments in Addis Ababa were about 63,785 of these, 10% were wholesales and 57% were retail trade enterprises. Employment in the sector included about 181,677 persons. The service sector comprised over half of the employment in the sector followed by the wholesale trade.

Trade and commercial activities dominate the service sector (see Table 2.8). The trade sector comprised about two thirds of the service sector enterprises and accounted for 57% of the total employment in the sector. In addition, the retail trade activities were over six times more than the wholesale in terms of the number of enterprises and more than double of the total employment in the trade sector. The average monthly gross income of the retail trade was about 89% of the income from the wholesale trade. The second major groups were kiosks (23%), followed by retail sales in specialised stores, textiles, footwear, and leather goods; household appliances, medical goods, cosmetics, and toiletries.

The third largest sector is the urban agriculture accounting for less than 1% of the total GDP and employment. Urban agriculture contributes significant income and employment in some sub-cities. It is a potential means of tackling food insecurity for poor households who have at least some space to grow vegetables. Even though urban agriculture is declining with the spatial expansion of the city, several households grow crops, rear animals, and produce vegetables using both rain and irrigation (CSA, 2018).

TABLE 2.8: INDICATORS OF THE DISTRIBUTIVE AND SERVICE TRADE ENTERPRISES IN 2018

INDICATORS	WHOLESALE	RETAIL	SERVICE	TOTAL
Number of enterprises	6 130	36 208	21 447	63 785
Monthly wage and salary ('000 birr)	5 219 414	4 218 394	4 933 038	14 370 846
Total number of paid workers (number)	18 876	13 789	40 061	72 726
Total number of unpaid workers	13 288	58 398	37 265	108 951
Total workers	32 164	72 187	77 326	181 677
Monthly gross value of income ('000)	561 776.5	501 624.8	371 462.3	1 438 863.6
Income per worker	17 466	6 949	4 804	7 920
Value added per worker	14 798	8 117	6 809	8 743
Value added per enterprise	77 643	16 183	24 550	24 903
Operating surplus per worker	12 945	7 439	6 102	7 845

Source: CSA (2018)

2.5.4 Budget and revenue of the city

The amount of budget allocated to Addis Ababa each year has been increasing for the last 13 years (see Figure 2.22). The overall budget allocation to the city increased from 2.5 billion Birr in 2006 to 44 billion Birr in 2019 (BOFED, 2018).

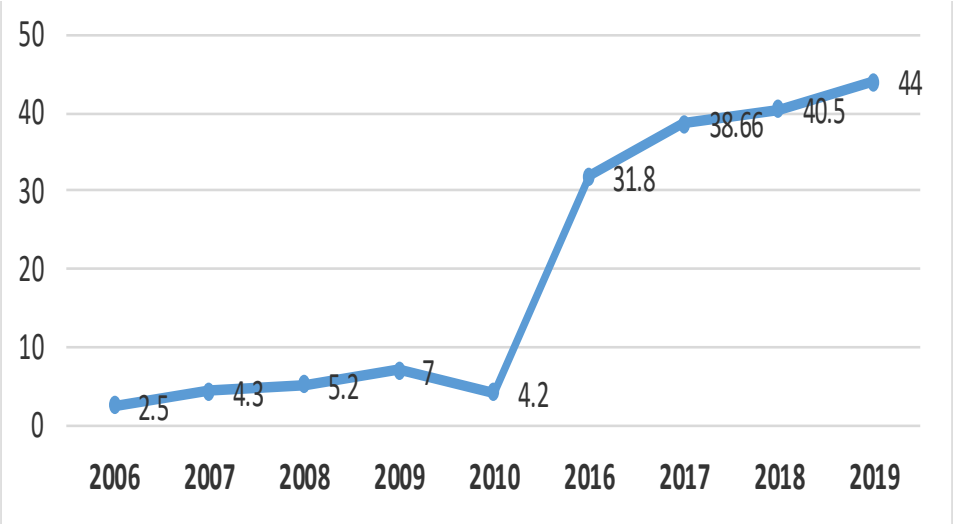

Figure 2.21: Total city budget (Birr billions)

Source: Computation from BOFED 2018 data

Regarding the revenue of the city, the diversified economic base of Addis Ababa created a better opportunity for the city government to expand its revenue base to finance various social and economic sectors as well as to solve the major socio-economic problems of the city. The available information indicated that over the last years, the revenue of the city government has grown from the low amount of about 1.9 billion in the early 2006 to about 4.6 billion in 2010 and reached 44.7 billion in 2019, with a 20 times growth from the base year (see Figure 2.21).

Over 52% of the revenue of the city is generated by only three sub-cities (Bole, Kirkos and Lafto). Gulale, Yeka and Akaki are the least accounting for about 16.7%

of the revenue generated over the past five years (BOFED, 2018). Most of these revenues, are however, generated from the service sector and the manufacturing sector. Tax revenue accounted for the largest revenues collected in the period.

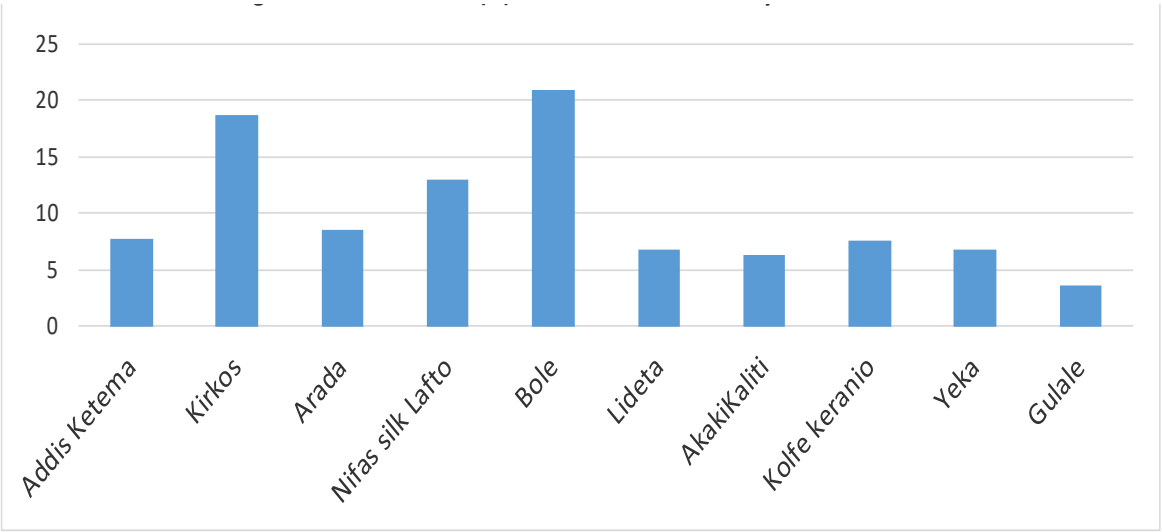

Figure 2.22: The share of revenue collected by sub-cities

Source: BoFED (2018)

In Ethiopia, the informal sector comprises 63% of the total establishments in the country and absorbs 52% of the national workforce. Generally, the informal economy brings goods and service closer to customers, provides goods and service at low prices, provides in people's needs, provides jobs, and reduces unemployment (CSA, 2018).

2.5.5 Income and prospects for the informal sector in Addis Ababa

Prospects for a better life motivate young people to migrate to Addis Ababa (Tarfasa *et al*., 2016). Tarfasa *et al*. (2016) found that a significant portion of the informal sector workers earn more than they would have if they had stayed in a rural community. Another motivating factor to engage in the informal sector was related to its flexibility and not needing much start-up capital. Ferede and Kebede (2015) found that the source of the start-up capital for the informal workers was

45%, 24%, and 20% from their own savings, borrowed from friends and assistance from friends respectively. 75% of the informal sector activities started their operation with a total capital of 250 Birr, while only 2.12 % started their activities with 20 000 Birr[i] and above (Ferede & Kebede, 2015).

Fillmon (2011) found that 73.2% of informal sector operators enjoy a medium income level, which enables them to have a decent life. For some, this income level has become a springboard to other initiatives. For instance, some young women engage in the informal sector to earn enough to travel to Arab countries as domestic workers, viewing their migration as a chance to improve their financial wellbeing further. In 2016, the remittance inflows from Arab domestic workers to Ethiopia reached 600 million Birr (ILO, 2016). The same study shows that, on average, a migrant domestic worker from the Arab States sends yearly remittances of around 66,238.60 Birr per year. CSA DHS (2019) indicates that the average annual value added and operating surplus per informal sector establishment/activity in Addis Ababa, were 938.55 and 898.76 Birr, respectively.

Ghecham (2017:7) points out that the gap at the bottom level of income seems to narrow because of an increase in the number of workers in the informal sector. Fillmon (2011) has found that economic independence and generating income for their day-to-day life contributes to perceptions about their involvement in informal business. He notes that over 93% of venders achieved self-sufficiency and led an independent life and that 75% were able to generate an income, 47% were able to support their households; and 16% sent more children to school.

According to Fillmon (2011) the average monthly income after joining the business was 568.4 Birr. From the average income of 568.4 Birr, they were able to save 109.3 Birr after joining the business. When the income of the vendors before and after the business are compared on average, the income of a street vendor increased by 166% after joining the business.

However, Mbaye (2019) argues that the informal sector implies vulnerable employment and is in fact “working poverty” which cannot lift the informal workers out of absolute poverty. Bhattacharya (2011) and UN ECA (2018) suggest that about 75% of informal sector workers live on income of a dollar per day. The per capita income of the surveyed poor households was 65.2 Euro per year and the overall mean value of asset possession (both productive and non-productive) of the households was 137.2 Euro per household. This figure is far below the absolute poverty line cut off point of 366 dollars per year.

Chalachew (2018:54) indicates that 40% of informal workers had incomes half of or less than half of the stipulated minimum wage for the formal sector. Fillmon (2011) adds that, if a street vendor is the sole income earner supporting three people in the household (average household size), with an average of 568.4 BIRR per day, then street vendors fall below the poverty line.

2.5.6 Access to finance

Mbaye (2019) state that financing constraints are a significant obstacle to MSE’s development in Africa. They found that in Benin, only 15.6% of MSEs had access to bank loans, versus 59.5% of large enterprise, while the corresponding figures are 14.2% and 70.6% in Senegal, and 17.6% and 56.9% in Niger. Likewise, small firms are subject to much more onerous collateral requirements than large firms. Moreover, interest rates are high in West, and Central Africa, and small, informal enterprises are faced with particularly high rates (Mbaye, 2019).

Gebresellasie (2020) reveals that even for the MSEs organised under the regulated informal sector, the government has not been able to implement its promise, as 65% could not access credit. The high interest rate for loans (90%), higher collateral requirements (88.9%), short-term loan repayment periods (72%) and 77% limited or no institution will provide loans for MSEs, are key reason for this. UNECA (2018) and ILO (2009) report that the young people’s creditworthiness is

challenged by a lack of personal savings and resources; burdensome procedures; and inadequate business experience and skills.

However, about 61,326 MSEs in Addis Ababa received 2.1 billion BIRR marketing support from MFI (CCRDA, 2016). In Ethiopia, MFIs are regarded as one of the partner institutions to implement the MSE development strategy. Thirty-three MFIs are licensed and are operating in the country. These MFIs have 2.5 million customers and their total outstanding portfolio reached 10.2 billion Birr as of December 31/2017. The A*ddis Credit & Saving Institution, Gasha, Metemamen, Peace, SFPI, Lefeyeda, Meklit, Agar, Wisdom, African Village* and *Degaf* are IMFs operating in Addis Ababa. In the last ten years, the *Addis Credit & Saving Institution* has extended 2,743,895,940 loans to 290,419 MSE beneficiaries and collected 1.3 billion Birr savings from the borrowers. From this, 1,786,168,008 Birr were disbursed to 133,839 males and 1,008,773,882 Birr were paid to 155 MSE members (see Figure 2.23).

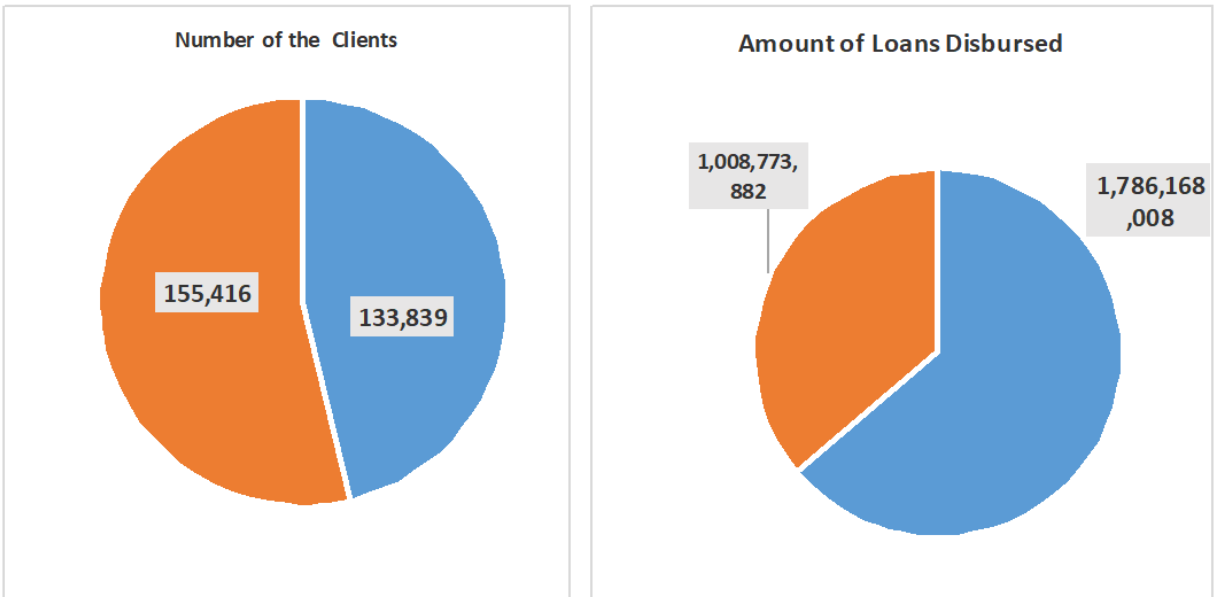

Figure 2.23: Number of clients and amount of loans disbursed

Source: CCRDA (2016)

The credit facilities mainly focus on manufacturing, construction, woodwork and metal works, textile and garments, urban agriculture, and service sectors (MoUDH, 2016).

2.5.7 Saving and informality

The national saving comprises the sum of all the individual saving decisions of households. At the macro level, there must be a “saving-friendly” demographic transition to promote more investment and economic growth. Franco Modigliani’s *Life Cycle Hypothesis* (cited in Pettinger, 2019:11) states that a country should invest in productive enterprises to employ more workers in better jobs, improve children’s health and education, and live productive, fulfilling lives. This hypothesis indicates that at the macro-level, the overall saving increases during the period at which there is a sharp decline in overall fertility since the economically active population becomes relatively larger than the younger cohorts. As the young dependent population shrinks proportionally, it translates into fewer dependents per working-age adult. The IMF (2014) comments that this increases a surplus in the GDP as relatively more persons contribute to production and can be fully absorbed into the labour market. A higher share of the working-age population receives greater revenues according to the demographic dividend theory (Bloom & Canning, 2003).

Saving is age sensitive as people move from being net borrowers in their youth to net savers in their working years and finally to dissevers in their elderly years. UN ECA (2018) and Wakabayashi and McKellar (1999) show that the propensity to save depends on a smaller age-dependency ratio. In addition, Modigliani’s *Life-Cycle Hypothesis* (cited in Pettinger (2019) states that individuals borrow when they are young, save during their working years, and then deplete their savings once they retire. When economies are growing, younger generations tend to be wealthier and save more, leading to a positive relationship between growth and

aggregate savings. Of course, this depends on the ability of the economy to provide adequate and decent jobs for working-aged people.

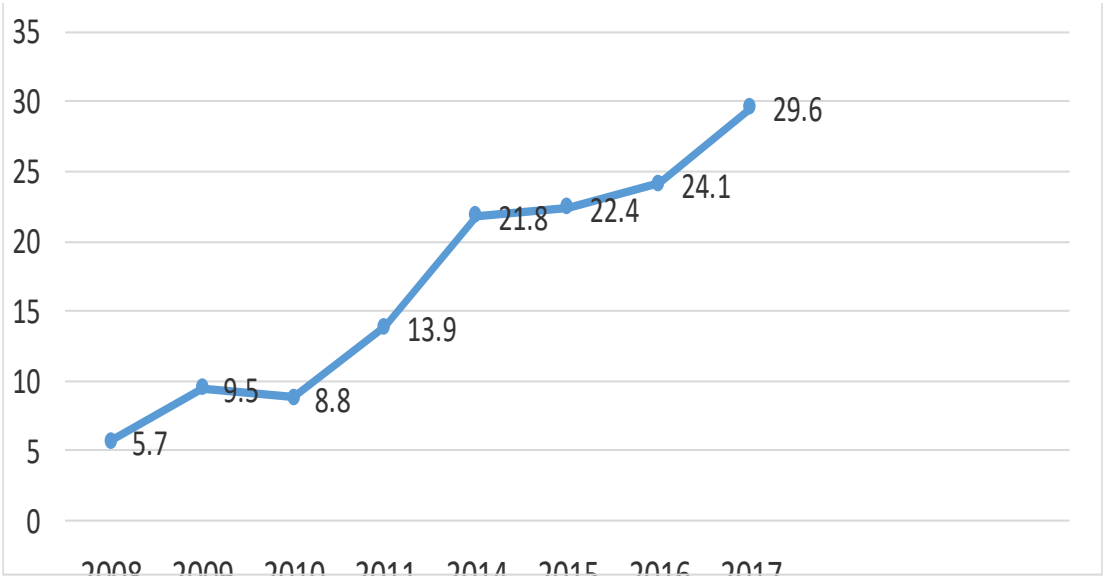

Figure 2.24: Gross domestic saving, as a per cent of GDP

Source: National Planning Commission (NPC) (2018)

Bloom and Canning (2003) indicate that creating decent and productive work for young people in the Sub-Saharan region could result in a potential GDP increase of 12% to 19%. In contrast, a mere increase in the proportion of working-age people in the population without jobs is a burden to the economy.

However, Ethiopia is one of Africa's few countries with domestic savings. For example, the IMF (2014:14) states that the tax revenue to GDP ratio in Sub-Saharan Africa is about 16%. In Ethiopia, this ratio is about 12%, suggesting that there is considerable room for improvement. Subsequently, the domestic savings in Ethiopia fall far short of what is needed to finance investment and sustain growth for a long time. The domestic financing gap for Ethiopia is extremely large (see Table 2.9). While the average financing gap was about 9.4% of GDP in 1990–2000, it widened to about 18.4% in 2011/2012. In Sub-Saharan Africa, this gap, on

average, is much smaller, at about 6%. Consequently, Ethiopia requires additional resources to bridge the gap between domestic saving and investment.

TABLE 2.9: INVESTMENT-DOMESTIC SAVING GAP (% OF GDP), ETHIOPIA

VARIABLES	1990-2000	2006/7	2007/8	2008/9	2009/10	2010/11	2011/12
Gross domestic saving	5	8.7	5.2	5.7	5.2	8.8	13.9
Gross domestic investment	14.4	22.1	22.4	22.7	24.7	25.5	32.3
Resource gap	-9.4	-13.5	-17.1	17	-19.5	-16.7	-18.4

Sources: Ethiopian authorities and IMF staff calculations (2014:19)

Fillmon (2011) found that the average monthly income and saving for informal sector workers in Mekelle before joining the business, were 213.1 Birr and 36.2 Birr respectively. However, the average monthly saving of the street vendors after joining the business, was 109.3 Birr on average. CRDA (2016) states that it is not only the meagre income that they get which discourages saving., but they also lack an enabling environment for saving, such as not possessing an identity card to open a bank account, have little understanding of how banks operate and experience social pressures to live hand-to-mouth.

To bridge this saving gap, the government has been striving to increase the flow of Foreign Direct Investment (FDI) to the country. Ghecham (2017) points out that Ethiopia and Rwanda are the two countries known to attract FDI and that both countries have a strong need to drive investment into sectors that can create jobs and absorb labour. It addresses youth unemployment by promoting private investment in labour-intensive manufacturing sectors. This can be seen by the FDI net inflow % of GDP over three decades from 1991-2017. As shown in Figure 2.26,

Ethiopia is able to attract far more FDI than many countries in Sub-Saharan Africa (World Bank, 2017b).

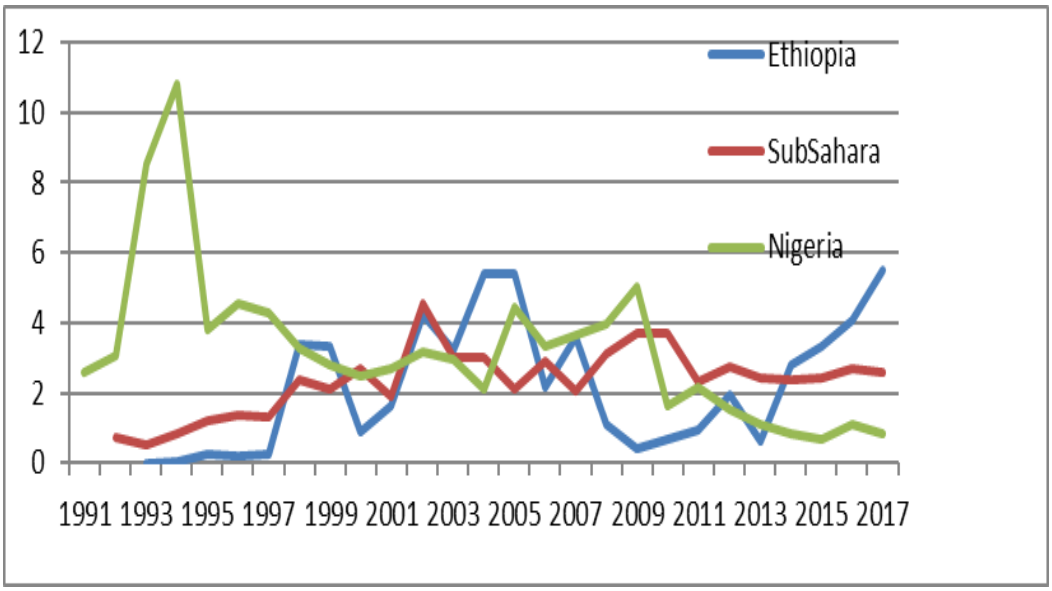

Figure 2.25: FDI net inflows (percentage of GDP)

Source: WB (2017a); NBE (2017)

2.6 FOOD SECURITY AND IMPLICATIONS FOR INFORMALITY

Urban poverty and food insecurity are inextricably linked. In Ethiopia, the Global Hunger Index (GHI) of 2021 indicated that the hunger level is 'serious' with a score of 24.1 (CWW, 2021). Agriculture employs 72.7% of the population. In addition, agriculture, which is mainly subsistence farming, is extremely vulnerable and generates about 90% of the export earnings (World Bank, 2017b:9). The average land holdings of the rural population are estimated to be 0.95 hectares (ha) while one in three households hold farmland of smaller than 0.5 ha (MoFED, 2016:14).

In Ethiopia, urban food insecurity is caused by the inability of households to produce, purchase or access food. While 75% of the poor were unable to secure

the cost of adequate calories needed to meet their daily requirements, only 7% of non-poor households faced the same challenge (MoFED, 2016:14).

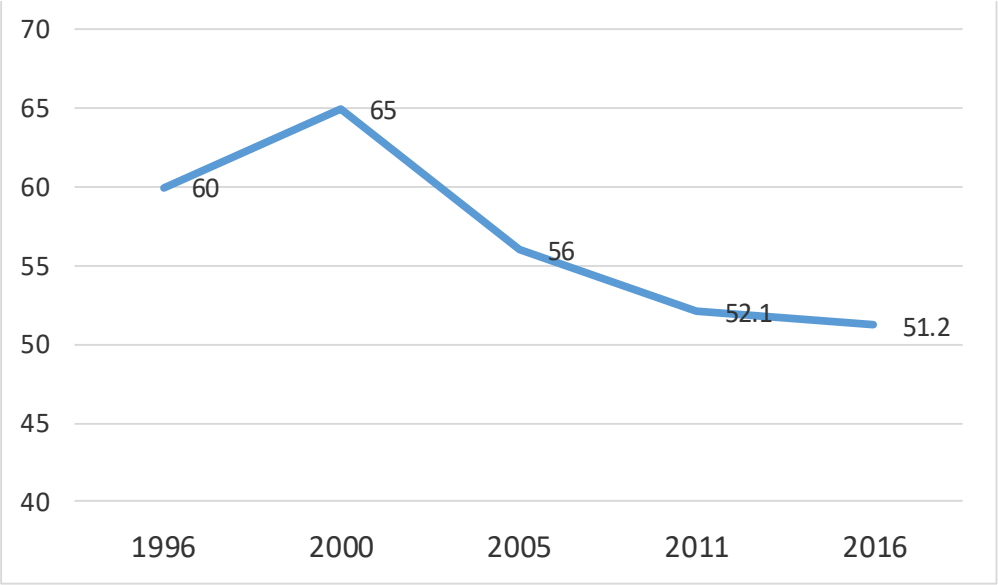

Figure 2.26: Percentage share of food expenditure, 1996 - 2016

Source: CSA (2018)

The percentage of household spending on food in Ethiopia showed a general declining trend, from 65% in 2000 to 51% in 2016 (see Figure 2.27). According to the 2010/11 price terms, the real per adult equivalent spending on food showed an upsurge from 2,734 Birr in 2000 to 6,342 Birr in 2016 (CSA DHS, 2019). Results from the 2019 EMDHS (CSA DHS 2019) show that 37% of children under the age of five years are stunted (below -2 SD), and 12% are severely stunted (below -3 SD). The prevalence of stunting increases steadily with age, from 22% among children six to eight months old up to 44% of children aged 48 to 59 months. This prevalence has not shown a notable change over the last few years. For instance, in 2005, 2011, 2014, 2016, and 2019 the rates were 31%; 44%, 40%, 38% and 37% respectively.

The World Bank Group (2015b:3) states that the national food poverty head count index of Ethiopia was 33.6% on average (34.7% rural and 27.9% in urban areas).

Just as poverty is a strong push factor for young people to migrate from rural to urban areas, the same holds true for food insecurity. In Ethiopia, the mean general inflation rate from 2011 to 2018 was 14.3%, reaching 40.6% in August 2011 and a record low of 5.4% in October 2014 (World Bank, 2017b). The food inflation during the same period averaged around 15.9%, ranging between 51.7% in October 2011 to 1.6% in April 2013.

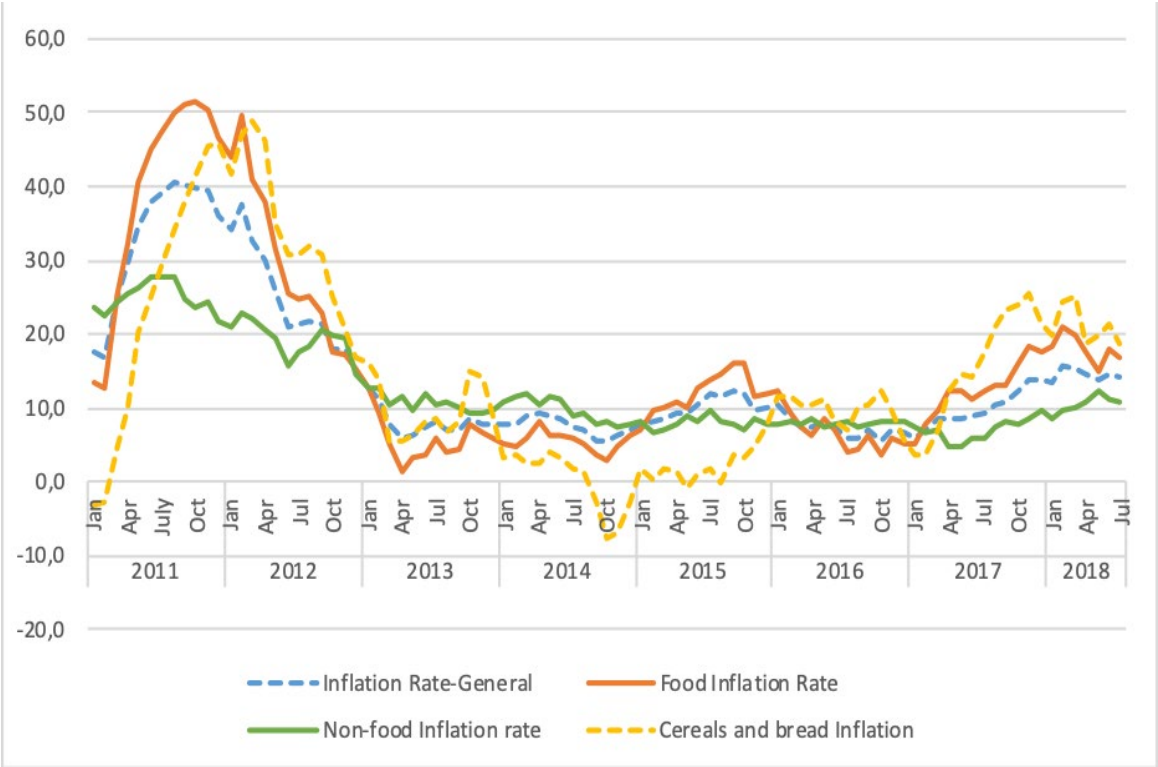

Figure 2.27: Trends of year-on-year inflation rate, Ethiopia (2011-2018)

Source: World Bank (2018a)

Regarding Addis Ababa, Gebre (2012:7) concludes that 74.9% households were classified as food insecure, a total of 20.7% household heads were unemployed, and the average household size was five, with a range of 1 to 15. Gebre (2012) further explains that the narrow base of the modern industrial sector in terms of job creation in the face of rural-urban migration is believed to have contributed to increased urban poverty.

Furthermore, the trends in the nominal price of the most important cereals, in the city show a generally upward trend since the end of 2014. From 2015 to mid-2018, the nominal cost of teff and maize increased by 72% and 118% in August 2017, respectively (see Figure 2.27) (CSA DHS, 2019). As a result, the mean calorie intake per adult equivalent per day of Addis Ababa has been lower than the national average. As shown in Table 2.10, the average percentage change from 1995 to 2016, was 54% and 30% for Ethiopia and Addis Ababa respectively (MoFED, 2016). Consequently, the percentage of food energy deficient households (<2550 Kcal per adult equivalent per day) and change in percentage points were -23 for Addis Ababa, and -18 for National level for the years from 2011-2016.

TABLE 2.10: THE TRENDS OF AVERAGE CALORIE INTAKE 1996-2016

REGION	1996	2000	2005	2011	2016	% CHANGE (1995 TO 2016)	% CHANGE (2011 TO 2016)
Addis Ababa	1 993	1 917	2 239	2 556	2 599	30	2
Ethiopia	1 953	2606	2746	2 928	3 008	54	3

Source: Computed from Poverty Reports by MOFED, 2016

A study conducted by CSA (2018) found that the average number of days of consumption (out of 7) of all food groups for Addis Ababa is better than other urban average and national mean levels (see Table 2.11).

TABLE 2.11: MEAN NUMBER OF DAYS OF CONSUMPTION (OUT OF 7) OF ALL FOOD GROUPS

Region	Starch	Pulses	Vege-tables	Fruit	Meat	Dairy	Oil and Fat	Sugar
Addis Ababa	7.0	3.7	6.9	1.3	1.9	1.4	6.9	5.6
Rural Ethiopia	6.9	3.9	6.1	0.4	0.6	1.7	5.6	2.1
Urban Ethiopia	6.9	4.0	6.7	1.1	1.8	1.4	6.7	4.9
National	6.9	3.9	6.3	0.6	0.9	1.6	5.9	2.8

Source: CSA (2018)

Regarding the relationship between demographic characteristics and food poverty, in Ethiopia 20.9% of male-headed households are food poor. In comparison, female-headed households in a similar position are calculated to be around 14.8%, which shows that households headed by women are better-off than their male counterparts (CSA, 2018). This may be explained in part by the smaller average household size among female-headed households compared to male-headed households (3.4 versus 5.1), which leaves them with higher land holding per adult equivalent, particularly in rural settings (CSA, 2018). Nonetheless, only 5.9% of households engaged in the formal sector (services and trade) fall below the food poverty line, while 31% of informal sector fall under the food poverty line. In 2016, just under 13% of the Addis Ababa and 20% of the Ethiopia population was food poor (CSA, 2018).

Furthermore, Skinner and Haysom (2016: 10) indicate that, as the income of the informal sector is generally low, with 70% of households regularly sourcing food from the informal sector. A study in South Africa suggests that areas with higher rates of food insecurity are more likely to be solely dependent on the informal sector, for their income (Skinner & Haysom, 2016:12). Fillmon (2011) found that people who joined the informal sector in Ethiopia have shown significant changes in increasing expenditure on food, health care and education.

Compounding this problem is the fact that most poor informal sector workers are not included in the government safety net programme as most of them do not have kebele membership to secure their selection as beneficiaries of such social care programmes. The Ethiopian Productive Safety Net Programme provides cash or food for households who participate in public works (Skinner & Haysom, 2016).

2.7 EDUCATION AND IMPLICATIONS FOR THE INFORMAL SECTOR

Education has great role in the success of young people engaged in the informal sector. The literacy rate in Ethiopia is low which has its own implication on the productivity of the informal sector. The country has broad -based primary education while the coverage of secondary, technical, and vocational and tertiary education is low.

2.7.1 Importance of education for the informal sector

According to the ILO (2018a), when the level of education increases, the level of informality decreases. For instance, globally the share of informal employment progressively decreases from 93.8% among workers with no education to 84.6% among workers with primary education, to 51.7% for those with secondary education and 23.8% for tertiary education.

CESA (2016:6) and McGrath (2002:76) explain that education has significant value for the reduction of poverty, gender equity, fostering opportunities, and promoting skills, human resources, development, and empowerment. It is critical as it helps delay marriage and first pregnancy (DHS, 2016:10). Figure 2.28 shows that higher mean years of schooling for girls are linked to a lower TFR.

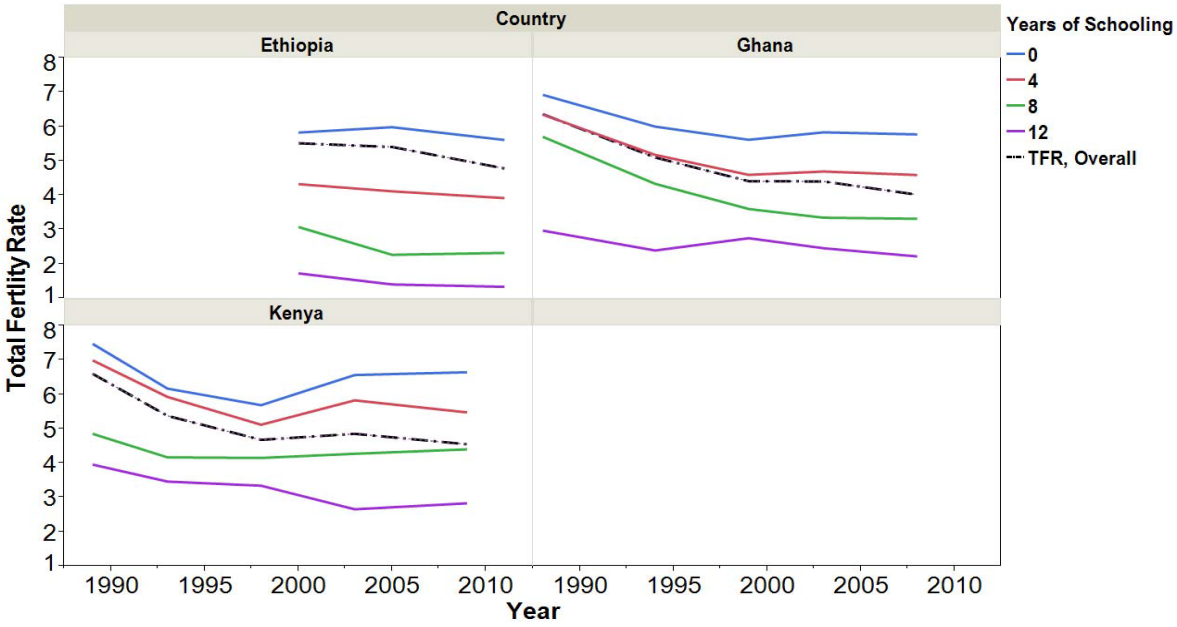

Figure 2.28: Years of schooling and total fertility rates

Source: Harvard (2016)

McGrath (2002) emphasises the importance of education and training for informal sector operators. Basic education can increase work-related skills by increasing cognitive skills, numeracy, literacy, and social competencies. Vocational training enhances entrepreneurship skills, accounting, reading and comprehension of instructions (ILO, 2009:30). Furthermore, the ILO (2020b) report asserts that among young people engaged in the informal sector, the majority have below primary levels of education. Unlike the young people in the informal sector with higher education levels, the incidence of younger people with lower education levels does not decrease with increase in age, as can be seen from Figure 2.29.

Figure 2.29: Youth in informal sector by age and education levels

Source: ILO (2020a:34)

According to UNECA (2018), the transition from informal to formal employment becomes easier when on-the-job training is provided, through technical and vocational training (TVET), apprenticeships and other training. While Ethiopia has registered significant achievements in improving access to education, the general level of education remains low. There are large gaps between urban and rural areas and across regions in access, quality, and equity in access to education (MOE, 2017).

Reda and Tsegai (2018) state that Ethiopia is one of the few countries in Sub-Sahara Africa that allocate 27% of its government expenditure to education. Nevertheless, most people involved in the informal sector are either illiterate or have not completed secondary or primary school education. Rural dwellers with a primary to a secondary education were more likely to migrate to urban areas relative to non-educated rural dwellers (Bundervoet, 2018; UNECA, 2018).

UNECA (2018) indicates that, on the supply side, the low quality of numeracy and literacy attained in educational systems, and inadequate skills development, are

among the main factors leading to informality on the continent. The lack of technical and vocational training, limited investments in infrastructure, technology, and innovation, as well as the poor alignment of educational curricula to labour market demands, constitute other major obstacles for job seekers to enter the formal market (MoE, 2017). At the same time, large cities with little or no industrial bases exacerbate informal employment as a coping mechanism, particularly for young people (MoE, 2017).

Informal sector workers generally have lower levels of education compared to the formal sector, indicating that poor human capital leads to the higher likelihood of entering the informal sector (Verick, 2018; World Bank, 2019b:116). In Africa, 94% of workers with little education are informally employed, and lower wages and living standards are common in informal employment (AU *et al.*, 2019:3). The CSA statistical report (2018) confirms that 31.8% of unemployed young people are school dropouts at the elementary level. The main reason for the dropouts was poverty that forced them to look for any available jobs.

Tumen (2016:16) indicates that educated people regard the informal sector as a stepping-stone to a formal job after acquiring the essential skills and on-the job training. However, the informal sector is a dead-end for the uneducated and females.

2.7.2 Literacy in Ethiopia

The literacy rate for young people between 15 and 24 years is defined as those who can read and write and read a sentence divided by the total number of people in that age group (DHS, 2016). In Ethiopia, youth literacy was 55% among the age group of 15 to 24 years in 2007, and almost 70% in 2018 (see Figure 2.30). The literacy of women aged 15 to 49 years, doubled between 2000 and 2014 (DHS, 2016:6).

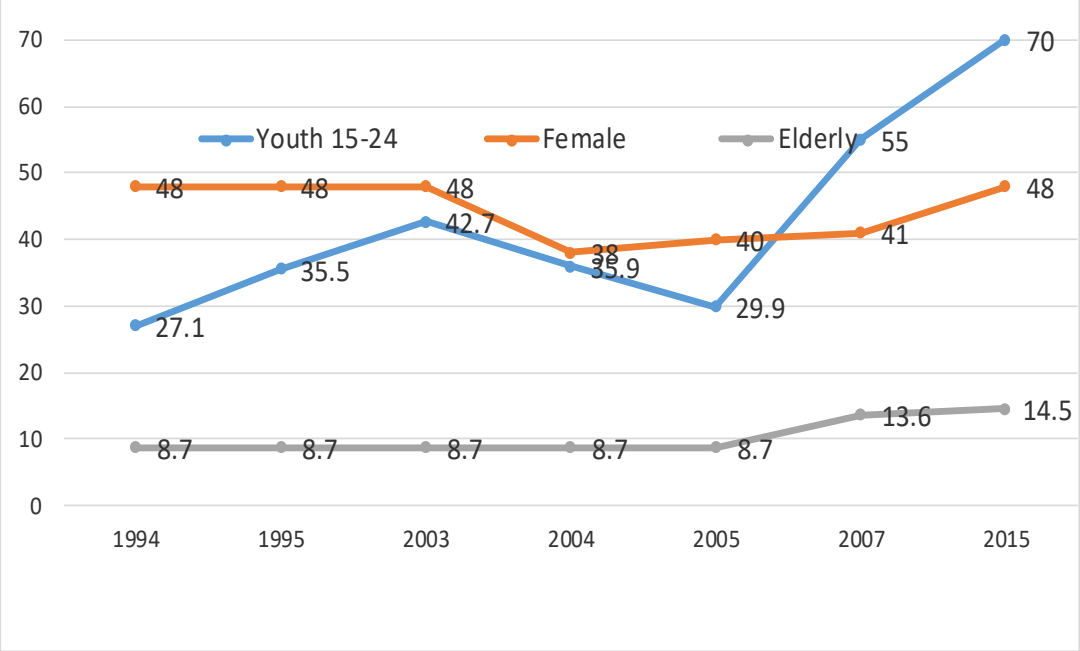

Figure 2.30: Youth literacy rate, 15 to 24 years, Ethiopia

Source: DHS (2016); WB (2019a)

However, the female literacy rate has shown no progress in the last twenty years. Consequently, the absolute numbers of adults lacking basic literacy and numeracy skills increased by 25 per cent (World Bank, 2019a).

2.7.3 Primary education in Ethiopia

There has been considerable progress regarding formal education, particularly in terms of access to formal primary education. Figure 2.23 shows that the gross enrolment ratio has almost doubled from 57.2% in 1995 to 102% in 2016. The net enrolment ratio of Addis Ababa for males is 92.6% and for females is 85.8% and for the total population, 88.8% (MoE, 2017). Sub-cities, such as Addis Ketema, Lideta and Gulale, have the lowest gross enrolment rates in primary school education (MOUDH, 2016; MoE, 2017). These sub-cities are areas with the highest numbers of informal sector workers in the city (MOUDH, 2016; MoE, 2017).

Gender disparities in access to primary education reduced significantly over the last 30 years. In 2017, the number of female children in primary school is more than that of males (MoE, 2017). The primary school drop-out rate is almost 22.9% for males and 9.3% for females. In general, children from poor families have few opportunities to pursue their education (MoE, 2017).

2.7.4 Secondary education

Figure 2.31 shows that Ethiopian education, like many other African countries, has a pyramid with a broad base at the primary level, a very narrow middle section at secondary level and miniscule top at tertiary level (MoE, 2017). The gross enrolment rate of girls in the secondary schools is about 72% (MoE, 2017). It reduces with the increase in the level of education (MoE, 2017).

The DHS (2014) indicates that the ratio of girls to boys in primary, secondary, and tertiary education is 1 to1; 2 to 3 and 1 to 6. In Ethiopia, only 56% of the students complete primary education, and advance to the secondary level (MoE, 2017). The secondary net enrolment of males is only 41.4% and that of females is 26.3%. The poorest quartile students do not complete the secondary level (DHS, 2014; MoE, 2017). Many young people who drop out of school do so to join the informal sector out of necessity (MOUDH, 2016; MoE, 2017).

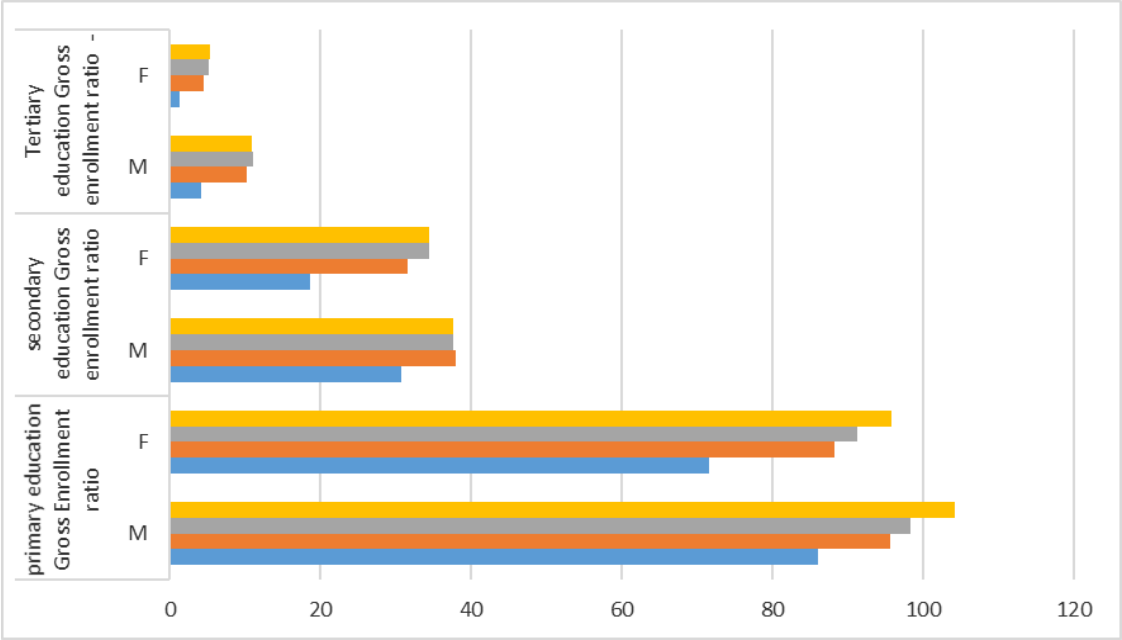

Figure 2.31: Enrolment ratio of students at different levels

Source MoE (2017)

2.7.5 Technical and vocational education and training in Ethiopia

Ethiopia's National Technical and Vocational Education and Training Strategy (TVET, 2008) indicates that approximately 90% of the total labour force have low education and skill levels. Out of these, 75% of the labour force are concentrated in low-skilled and low-paying employment mainly in the informal sector.

The Addis Ababa City MSEs Agency Strategy (2016) points out that a critical problem for the 15-to 19-year age group is a lack of opportunities for either skills training or regular high school and vocational training. Most of these young people come from poor families who cannot afford to pay for education and training. Daniel (2016) indicates that most of the informal operators (80%) learned the skills by themselves, 11% through apprenticeship or on-the-job training, 8% from their households or families, and only 1% through formal training.

TVET is one of the main components of the education policy in Ethiopia, which is aimed at providing vocational training opportunities for skills acquisition for young people and for operating MSEs (ILO, 2013:12). The TVET Agency is one of the management board members for the MSEs, and TVET institutions provide short-term training for the regulated informal sector.

The Ministry of Education indicates that 880 000 TVET graduates in Ethiopia are still looking for jobs (Krishnan & Shaorshadze, 2013:15; MoE, 2017:129). Recently, the government approved a ten billion Birr (out of the demanded 35 billion) revolving fund to create jobs for people who are unemployed (Anberbir, 2016). McGrath (2002) emphasises that job creation must be coupled with training and that training by itself does not create jobs; nor does it necessarily raise productivity in the informal economy.

TABLE 2.12: DISTRIBUTION OF ACTIVE TVET INSTITUTIONS IN ADDIS ABABA BY SUB-CITY

SUB-CITY	GOVERNMENT	PRIVATE	TOTAL
Addis Ketema	4	6	10
Akaki Kaliti	3	-	3
Arada	2	8	10
Bole	1	8	9
Gulale	3	4	7
Kirkos	1	6	7
Kolfe Keraniyo	1	4	5
Lideta	3	6	9
Nefas Silik Lafto	4	8	12
Yeka	6	6	12
Total	28	56	84

Source: MoE (2017)

As shown in Table 2.12, there are 84 (28 government and 56 private) active TVET institutions in Addis Ababa that are providing five levels of training to people in different vocational skills (MoE, 2017). However, the formal vocational training is not responsive to the needs and constraints of the marginalised and vulnerable informal sector workers because the education requirements are high (for example, requiring the completion of Grade 10) and the training delivery mechanism is rigid (CCRDA, 2016). As a result, a substantial proportion of the informal sector workers, particularly from disadvantaged groups, such as women, have limited access to vocational skill training. They do not have access to TVET, and do not have the time to study and work at the same time (CCRDA, 2016). These interrelated issues have affected informal sector workers resulting in a vicious cycle of unemployment, low productivity, and poverty (CCRDA, 2016).

2.7.6 Tertiary education in Ethiopia

In Ethiopia, the gross enrolment ratio (GER) of tertiary level education has increased from 5.7% in 2013 to 10.2% in 2014/15 and is reached to 15% by 2019/20 (MoE 2017).

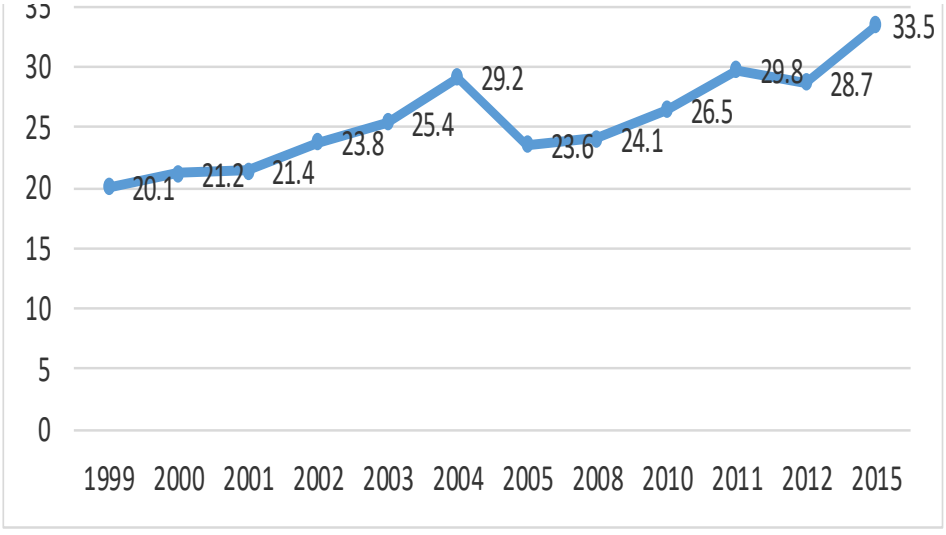

Figure 2.32: Percentage of female graduates from tertiary education

Source: MoE (2017)

Ethiopia has increased the access to higher education, expanding the number of public universities from only two in 1991 to 47 in 2018 with extensive changes in student enrolment, academic staff numbers and higher education expenditure (MoE, 2017; Reda & Tsegai, 2018). As a result, graduates in Ethiopia have increased on average by 100 000 per year from the years 2014 to 2016. Mergo (2018:80) states that the change regarding female graduates is extremely impressive as it has increased from 20.1% to 33.5% from 1999 to 2015 (see Figure 2.33). However, Reda and Tsegai (2018) show that the share of unemployed graduates relative to total unemployment increased from 2.6% in 2014 to 3.8% in 2016 (see Table 2.13). The share of male unemployed graduates relative to the total unemployed males increased from 4.3% in 2014 to 7.16%; and for females from 1.76% in 2014 to 2.57% in 2016.

TABLE 2.13: PERCENTAGE SHARE OF UNEMPLOYED GRADUATES RELATIVE TO GRADUATES

Year	Graduates	Unemployed	Graduates employed	% share of graduates unemployed	% share of employed
2016	862 137	58 506	803 631	6.79	93.21
2015	749 925	46 319	703 606	6.18	93.82
2014	619 837	37 535	582 302	6.06	93.94
Total	2 231 899	142 360	2 089 539		
Rate	3%	19%	13%		

Source: MoE (2017); Reda & Tsegai (2018)

Although the percentage share of graduates employed was above 93%, the quality of jobs secured for graduates did not compensate them for their efforts. AfDB (2016) points out that Sub-Saharan countries continue to be characterised by

elevated rates of working poverty, with 33.6 % of all employed people living in extreme poverty in 2016, namely on less than US$1.90.

In Ethiopia, from the employed graduates, a considerable number took up jobs in the informal sector. For example, over the past five years, the *Cobblestone Project* has created 489,000 jobs (Addis Ababa MSEs Strategy, 2016). However, Reda and Tsegai (2018) question why the nation invests so much in university training to engage these graduates in informal jobs, while unskilled labourers can take up these jobs. The ILO and MoLSA (2018:45) state that there were 46,304 vacant posts in Ethiopia. In the same year there were 242,873 registered job seekers. 86.8% of the vacant posts were meant for unskilled labourers. Professional posts accounted for only 5.8% of all the available vacancies. The number of students who had graduated from colleges and universities at undergraduate level were 55,770 (only from public universities), while 3,257 graduated at post-graduate level. The fact that 86.8% of the vacant posts became available for unskilled labourers in the same year implies that the nation is training citizens that do not contribute to the development of the nation and remains underutilised.

2.8 THEORETICAL FRAMEWORK

In this chapter, the researcher has detailed the demographic realities as well as the job market prospects in Ethiopia, and in Addis Ababa specifically, as these two dynamic forces relate to youth employment and employability. The age structure-development nexus finds its full articulation in a theoretical exposition of what the so-called demographic dividend means. The argument is made that the demographic forces imply particular possibilities for the development trajectory of a country, and that the realities of the formal vis-à-vis informal sectors of the economy to turn the resultant population dynamics into a positive force for development, in turn, would help uncover the role that the informal sector can play. To situate the argument about the demographic dividend, the researcher gives a

brief review of theories about population characteristics and the formal and informal sectors below to help contextualise the chosen conceptual framework of the study.

2.8.1 Malthus' pessimistic theory of population

Malthusian pessimism (1789, cited in Hirschman 2004:4), explores the interaction between population growth and food and concludes that population growth occurs exponentially while food grows arithmetically. Malthus suggested that as population expands to consume any surplus, people must choose between moral checks and positive checks to reduce the population.

Modern theories would call this pessimistic viewpoint into question, and the current evidence suggests that Malthus' estimate of population doubling time is incorrect (PRB, 2015). Moreover, the population growth rate as explained in the above sections of this chapter (see for example, Figures 2.9 and 2.10) do not show an exponential growth rate in Africa, Ethiopia, and Addis Ababa. Of course, population growth is not left unchecked, due to the influence on birth and death rates due to modern technology (contraceptives, child and adult health care interventions, water, and sanitation, for example). On top of that, food production has intensified. Hence, the researcher does not support a pessimistic view of population as posing a Malthusian threat in which the growth of population would surpass food production.

2.8.2 The optimistic view of population

Population growth, according to Boserup (1965, quoted in Darity, 1980:5), is advantageous to economic advancement, and human innovation will generate technology to surpass any natural restrictions. She contends that because population is a resource in and of itself, it encourages agricultural production intensification. However, despite the increased usage of fertilisers, food

technology, and genetically modified crops, the modern world has yet to produce technologies capable of feeding millions of food insecure people. In fact, food insecurity is currently a serious problem all throughout the world, notably in Africa. Hence, the researcher does not support the optimistic view of population, and instead sees desperation regarding food insecurity, as detailed in the sections of this chapter, as one of the major push factors that encourages scores of young people to flock to Addis Ababa with the hope of finding a job to be able to afford food, and for many of these individuals, finding temporary accommodation for such needs in the informal sector is the only possibility. However, despite the increased usage of fertilisers, food technology, and genetically modified crops, the modern world has yet to produce technologies capable of feeding millions of food insecure people. Food insecurity is currently a serious problem throughout the world, notably in Africa. Accordingly, hunger and malnutrition are on the rise, according to the FAO, IFAD, and UNICEF (2018:15), affecting 821 million people, which means one in every nine people is affected globally.

2.8.3 The revisionist view of population

Kelley (1999:2) contends that the relationship between the population and economic growth is dependent on the country's cultural, economic, institutional, and demographic setting. Kelley (1999) reaches the conclusion that the population-economic growth question is unresolved.

Among the three perspectives on population and development, the researcher found the revisionist perspective most appropriate to regard the concept of the ‘demographic dividend,’ as having been reached when the working-age population increases proportionally to younger or older age cohorts, as a context-dependent phenomenon. What this means is that Ethiopia's population age structure has begun to open the 'window' for potential economic growth, but that the high youth dependence ratios, along with the limited job creation, are difficult contextual

restrictions to ensure an economic upswing. In contrast, the South Asian nations, for example, have a favourable cultural, economic, institutional, and demographic context for accessing the capacity of a big population for future economic growth (Bloom, 2016:5).

The researcher concurs with the view of Ross (2014) that it is not the size of the population alone that matters, but also other contextual factors that can make the size and characteristics of the population either supportive of or detrimental to development. Such a view underscores the view that the key aspects needed to harness the positive externalities of the demographic dividend are job creation, education, and skills development, promoting and ensuring quality health care (Assefa, 2016).

In the sections that follow, theoretical perspectives on the role of the informal sector are briefly considered before arriving at the conceptual framework selected for this study.

2.8.4 The dual labour market approach to the informal sector

After being introduced by Harts (1973, quoted in Nordling, 2017), the idea of informality has gained traction in policymakers' and academics' agendas. Accordingly, Lewis (1954, referenced in Gollin, 2014:2) divides the economy into two categories:

- Traditional, agricultural subsistence, disadvantaged, and marginalised informal sectors.
- Formal-modern capitalist modes of production driven by profit.

The former provides a source of cheap labour for the latter, and the wage or income situation is not changed due to competition. In the long term, the traditional, subsistence sector would be absorbed by the modern sector, until all excess labour in the traditional sector is moved to the modern sector. This would cause salaries

in the traditional sector to rise above subsistence levels, resulting in modernisation, more employment, and an increase in average income per capita (ILO, 2003; Chalachew, 2018).

The idea of a dual market, according to the researcher, is challenged by demographic dynamics such as decreased fertility, an increase in females' education, and other socioeconomic characteristics. These dynamics suggest that the informal sector cannot continue to supply workers to the formal sector indefinitely. Consequently, the dual labour market theory is not the most appropriate to guide this study as it dichotomises the employment conditions into:

1. low wages, bad working environments, insecure working conditions (equated in the case of this thesis as the non-regulated informal sector) and
2. relatively high wages, good working conditions with opportunities for advancement (Blaauw, 2017). Such a simple dichotomy ignores the realities of transitional economies in the middle of the continuum between points 1 and 2 above which are on the way to greater formalisation of businesses.

2.8.5 Structural, dependency and neo-Marxist approaches to the informal sector

According to these theoretical orientations, developing nations are systematically made dependent on developed nations by having access to cheap basic exports and expensive imports of value-added goods. The major argument of these theories is that the existence of the informal sector is a necessary precondition for modern capitalist accumulation (Olabisi, 2011:6). As a result, it considers the informal sector to be a part of the global economy.

However, the researcher argues that the informal sector in developing countries (including Ethiopia) is not able to supply quality goods and services for export and are not able to supply cheap basic exports. The informal sector in Ethiopia is not well-structured and is not linked to international markets. Instead, the informal

sector in Ethiopia is a fragmented collective of petty, self-employed, small businesses where unemployed youth try to secure a subsistence livelihood. In addition, informal sector workers are not the main consumers of expensive imports as their purchasing capacity is limited (ILO & WTO, 2009). Hence, this study explored the potential that this petty informal sector might have for the income and employment of the youth (Biles, 2008).

2.8.6 Neo-liberal or legalist approaches to the informal sector

Wilson (2011:3) and Matsongoni and Mutambara (2018:3) contend that ineffective, heavily taxed, onerous, and expensive government regulations are to blame for the growth of the informal sector rather than a general lack of labour. These laws drive small-scale business owners into this sector. These approaches also recognise rural-urban migration's catalytic impact on informality. Therefore, it is in favour of market deregulation, ending government intrusion, and creating programmes to meet the needs of the underprivileged. Accordingly, migration in Ethiopia is poverty-driven and demographically induced due to competition for livelihood opportunities (Assefa, 2016).

This argument does not fit the context of Ethiopia well, because the informal sector is not pushed to informality due to a heavy tax system or expensive government regulations. However, the theory has some relevance because most of the informal sector youth migrated from rural areas in search of formal employment in the city and end up in engaging in petty informal sector trade.

2.8.7 Voluntarist views on the informal sector

Voluntarist views hold that informal businesses consciously prefer to operate informally to benefit more from tax avoidance and avoiding governmental bureaucratic processes. Additionally, they seek to run independently of conventional businesses and without necessarily involving connections to the

economy. By doing this, they compete unfairly with formal businesses. Matsongoni and Mutambara (2018:4) and Wilson (2011:5) argue that to broaden the tax base and lessen unfair competition for formal firms, informal businesses should be subjected to official regulation.

This theory does not consider the willingness of informal sector workers to be regulated voluntarily. In Ethiopia, regulated businesses have more advantages than non-regulated ones. Moreover, there are MSEs that are already regulated and pay taxes to the government despite their status as a still informal sector (CCRDA, 2016).

2.8.8 Modernisation theory and the informal sector

According to Freire and Lima (2018), the formal sector would grow in flexibility and specialisation as well as in terms of competitive innovation and cooperative networks, while the informal sector would contract. According to this idea, MSEs have quicker growth than large corporations and are significant centres for invention, efficiency, and innovation. Hence, during development, the economic shares of MSEs increase and contribute to poverty alleviation (Elias, 2015:60).

In weighing up the assumptions of the modernisation theory's take on the informal sector, it should be considered that the informal sector is not merely a phenomenon in underdeveloped nations, as it is global phenomenon (ILO & WTO, 2009). In effect, the informal economy has not disappeared in developed economies. Moreover, the informal sector, especially in the time of the fourth and fifth industrial revolutions is not the business of non-modern economies, because there are many informal entrepreneurs in different economies in the areas of ICTs (Deen-Swarray, Moyo & Stork, 2014). If supported by the governments, informal sectors can be significant centres for invention, efficiency, and innovation (ILO, 2009).

2.8.9 The demographic dividend model

The model summarises the discussion of the effects of demographic and economic growth, outlining how shifts in the age structure affect the availability of labour on the market (Karra *et al*., 2015:241). Harnessing the demographic dividend, according to Canning *et al.* (2015:10), needs important steps concentrating on four linked pillars, namely, health and fertility; education; women's empowerment; and employment. As a result, the African Heads of State declared the idea of "*Harnessing the demographic dividend via investments in youth"* (AUC, 2017) as their theme for the year 2017 and proposed four other pillars that are particularly important for boosting economic growth. These consist of:

a. Wellbeing and health that take demographic factors into account (fertility, household planning, mortality, and child health).
b. Education and skills.
c. Economic development and employment.
d. Rights, governance, and youth empowerment.

Olabisi (2011:2) criticises these notions, claiming that because all the researchers cited above, were from Latin America, they have failed to take the realities of African nations into account. She concludes that rather than being a sector that is only present during times of crisis, the informal economy in developing nations should be examined as social and historical processes. A theoretical framework that examines the genesis, reasons for, and durability of informality in African societies is therefore required.

This argument by Olabisi (2011) inspired this study's quest to understand how Ethiopia's youthful age structure is affecting the informal sector, and whether the informal sector can act as a safety-net for youth unemployment. The dependency ratio at the household level can thus be compared with other important socioeconomic factors as a stand-in for the demographic dividend (Canning *et al*., 2015:10). Accordingly, this thesis attempted to investigate the role of the informal

sector in accelerating economic growth and the creation of employment to the youth in view of realisation of the demographic dividend in Ethiopia. Consequently, the proposed conceptual framework below summarises the implications of demographic forces to promote economic development by examining the relationship between the role of informal sector acting as a safety net.

In conclusion, the researcher considers the revisionist view of population as his theoretical lens with regard to the study as it contends that a mere population number does not show a positive or negative relation with the growth of the economy (Allen, 1999). It assumes that the main factor in the equilibrium is the country's cultural, economic, institutional, and demographic context in which both sides operate. When we link the demographic-economic argument with the informal sector explicitly, the crucial aspect is examining the context that best favours the occurrence of the demographic dividend in providing employment to a youth bulge of a large cohort of potential income-earners and entrepreneurs. However, the potential of that dividend can only be activated if the correct policies are in place, and this means, chiefly, also understanding the dynamics that link the demographic factors with the developmental factors in a specific context.

Ethiopia's population context has begun to open the 'window' for potential economic growth, but high youth dependence ratios coupled with limited job creation creates a contextual that restricts an economic upsurge (PRB, 2015). Moreover, the pragmatic research design chosen for this thesis fits with the decision to select concepts and tenets from various theories electrically (Kivunja & Kuyini, 2017). The ontology of pragmatism emphasises ‘workability’ in research, and the acceptance of the assumption that that context is vital for knowledge and knowing (Kivunja & Kuyini, 2017).

2.9 AN ECLECTIC CONCEPTUAL FRAMEWORK FOR THE STUDY

The relationship between the informal sector's role in addressing Addis Ababa's unemployment issue and the dependency ratio that results in an oversupply of large cohorts of young people is shown in Figure 2.33. The relationships should be viewed as a component of the demographic-development nexus in the light of the multiple theories discussed above.

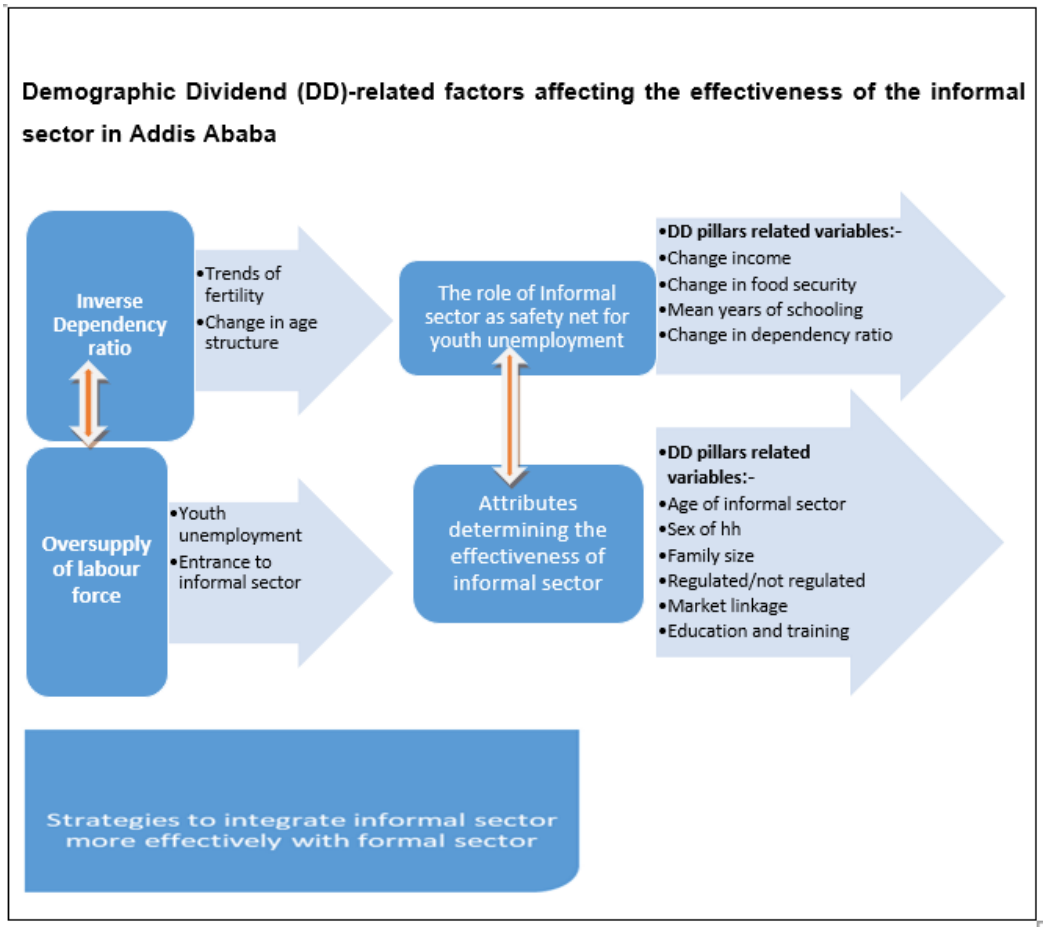

Figure 2.34: Conceptual framework of the study

Source: The author

Fertility rates in Ethiopia have started to decline, resulting in changes in the age structure of the country (PRB, 2015). This has increased the inverse dependency ratio, defined as the ratio of the size of the independent working age population to dependent persons in the population. The demographic trends in Ethiopia have resulted in several young people looking for jobs, while the aim is to integrate them into the formal employment system (PRB, 2015). Theoretically, enabling policies can result in the potential of the demographic dividend to succeed in Ethiopia (Assefa, 2016). However, this is not the reality, because the country is grappling with youth unemployment due to an oversupply of labour to the formal economy that is unable to create formal employment for young people (UNDP, 2018). Hence, these young people migrate in the hope of securing a livelihood and they end up in joining the informal sector in the city. In this regard, the informal sector has been a safety net for the unemployed youth in terms of providing them with an income, food security, education, and other social benefits (ILO, 2019). The informal sector also operated as a springboard where the informal sector workers can earn seed-money and, grow their businesses and, eventually, be integrated into the formal system of the economy (ILO, 2019). Accordingly, the thesis measured the role of the informal sector quantitatively concerning generating an income, food security, mean years of schooling, and the dependency ratio.

2.10 CONCLUSION

This review of the literature shows a link between demographic dynamics and development. The core argument is that higher dependency ratios result in an oversupply of large cohorts of young people, and, thereby, place stress on the informal sector to ease the problem of unemployment in Addis Ababa (Elias, 2015:12). Although there is a decline in the fertility and mortality rates causing a relative reduction in the country's young dependent population, Ethiopia still has a high population momentum due to the past and the current high fertility (DHS, 2016). As a result, there is a vast gap between the demand and supply of the labour force and the employment opportunities.

Ethiopia is noted for its rapid economic growth in the past two decades (MOFED, 2016). However, it was not pro-employment as the 1% increase in the GDP growth between 2000 and 2014 was associated with only 0.41% growth in employment (AFDB, 2019). It is because of this that the IMF (2014) has stressed that the main reason for unemployment in Ethiopia is demographic, revealing that the cohorts under the age of 24 years constitute 65% of the population leading to an addition on average of 1.2 million new job seekers each year. As a result, the informal sector has been acting as a safety net for the new labour market entrants. However, the data show that the non-regulated informal sectors have been decreasing from 1999 to 2018 (CSA, 2018). The proportion of women who are engaged in the informal sector have declined from 85.2% in 1999 to 28.2% in 2018 and within the same years the share of men declined from 53.36% to 17.1%. This decrease in the number of informal sector workers is not realistic as there is no adequate information on non-regulated migrant workers in Addis Ababa whose address is not traceable. In addition, the government defines those who have been organised into MSEs as formal business entities, and, thus, the data seem to show declines, while in reality the non-regulated informal sector is increasing (Bezu & Holden, 2014).

The chapter articulated relevant theoretical expositions about the way in which demographic forces imply particular possibilities for the development trajectory of a country. These theoretical ideas are tested against the realities of the formal vis-à-vis informal sectors of the economy to turn the resultant population dynamics into a positive force for development. The researcher adopted the revisionist perspective which mainly argues that demographic and economic forces are contextually bound to create specific cultural, economic, and institutional arrangements. The chapter concluded with arguments about the demographic dividend model. The study’s conceptual framework was designed to account for the relationship between the informal sector's role in addressing Addis Ababa's unemployment issue and the dependency ratio that results in an oversupply of

large cohorts of young people. The relationships should be viewed as a component of the demographic-development nexus.

CHAPTER 3: THE POLICY ENVIRONMENT OF THE INFORMAL SECTOR IN ETHIOPIA

3.1 INTRODUCTION

Policies pertaining to the informal sector serve as guidance and help to increase youth employment, the GNI, and the provision of essential services. As a result, nations pursue several policy alternatives to legalise businesses in the informal sector and to establish favourable conditions for a smooth transfer to the formal economy. As a result, AfDB (2016) highlights popular policy choices, such as:

- Maintaining the informal sector's current state of affairs.
- Formalising the unregulated market.
- Utilising the informal economy's potential for growth.

Ethiopia has certain relevant policies that are closely related to the growth of the informal sector and young employment. The main guidelines comprise:

- The Ethiopian Constitution (FDRE 1995).
- The National Employment Policy and Strategy of Ethiopia (MoLSA, 2012).
- The MSEs Strategy (edited 2016).
- The TVET Strategy of 2008.

Additionally, significant organisations including the TVET agency, city government, microfinance institutions, and the MSEs Agency coordinate the informal sector in Ethiopia under a framework that includes all the participants. The overall change in decreased fertility and mortality in Ethiopia has started to result in a shift in the population age structure in favour of the working aged population, while the formal economy is unprepared to accommodate the swelling youth labour force (UNFPA, 2020). At the same time, Ethiopia also experiences a large number of economic dependents due to momentum of earlier fertility which enforces the country to

devote resources to these children rather than investing in the productive economic sectors (UNDP 2018*).* As a result, it is crucial to assess relevant policies in view of the variables indicated in the conceptual framework and their contribution towards harnessing the demographic dividends. Hence, in this chapter, the policies that must guide the process to harness the benefits of the demographic dividend and create jobs are highlighted. The key aspects of the policies assessed below are:

- The policy options for implementing a regulated informal sector in Ethiopia.
- The context of the Ethiopian informal sector policy.
- The Addis Ababa informal sector policy setting.
- The coordination of key stakeholders.

3.2 OPTIONS FOR IMPLEMENTING POLICIES TO CREATE A REGULATED INFORMAL SECTOR

When considerable labour participation is assured of the population between the ages of 15 and 64 years, the enabling policy environment is essential for realising the potential demographic benefits (PRB, 2015). Unregistered and unregulated businesses that require significant work to achieve a regulated status make up the non-regulated informal sector. According to Wellington (2019), these people mostly sell goods on the street, including food, used clothes, shoes, stationery, vegetables, fruit, equipment (electrical, cosmetic, or home appliances), belts, umbrellas, shoe soles, soap, watches, and dry cells.

Many countries view the informal economy as inconsequential, unregulated, a method of evading taxes, and a way of avoiding the trouble of formally entering the formal economy (UN-HABITAT, 2006:15). Such a negative view of the informal sector serves as justification for restrictive policies. The informal sector, from a different perspective, might be a significant source of commerce and the nucleus of the local industry (Debrah, 2007:5). To balance the benefits and drawbacks of the informal sector, governments should implement policies to lower the costs of starting and operating informal businesses, relax regulations, provide appropriate

incentives, and increase the benefits of the gradual regularisation (UN-HABITAT, 2006).

According to the ILO (2015), the unregulated informal sector is subject to outrageous fines and penalties (ranging from 50 to 75 Birr) each time they are apprehended by the authorities. By mistreating the unregulated informal sector, Wellington (2019:1) contends that the Ethiopian government has been transformed into a "*tyranny of the few against the majority*." According to Chen (2012), many owner-operators of informal businesses conduct their business in violation of the law or only partially in compliance with the law. Most owner-operators, he continued, would be prepared to pay taxes and registration costs in exchange for the advantages of formality.

According to the AfDB research (2016:27), Egypt has four different policy choices for the informal sector, including:

- Maintaining the status quo by refusing to deal with informality. This is based on the unfavourable supposition that the manufacturers and retailers in the informal sector operate on a relatively small scale and are not worthy of regulation. The market competitiveness has been distorted by this viewpoint.
- Formalising the informal sector by adopting measures to shrink the informal sector of the economy by enforcing tax rules and regulations strictly. The problem is that the sector grows further as the government strives for regularisation.
- Through lowering obstacles to entrance and operation, as well as by cutting expenses, the formal sector may be made more informal.
- Maximising the contribution of informal companies to growth, income, productivity, and employment to unleash the development potential of the informal sector. The Ethiopian government chose this course of action because it supports the use of raw resources, technology, credit, and marketing support by informal labour.

This policy decision has resulted in the inconsistent administration and management of the informal sector, although he overall direction of the policy has not changed. The International Labour Organization (ILO, 2015) agrees that the move from unregulated to regulated businesses is not straightforward and entails a clear transformation. According to the ILO (2015), the following actions should be taken:

- Businesses' incremental capacity-building.
- Supporting business ventures.
- Improved access to education, lifelong learning, and skills development.
- Better financial access, increasing growth of business services, and markets.

Given the two key challenges, AfDB (2016:23) does not see this as an easy transition. Firstly, an all-encompassing strategy is impossible due the informal sector's diversity. Secondly, the widespread inability to prepare for the early vulnerable phases, when informal enterprises struggle to generate enough revenue and struggle to cover the inescapable costs of rent, labour, and marketing, suggests that many fails before the ILO's suggested five measures can be put into place.

The researcher concurs with the notion that an all-encompassing transformation is inapplicable to the Ethiopian context. The application process for formalisation is not too difficult. Ageba and Amha (2006) and MoUDH (2016) outline the procedures MSE operators in Ethiopia must follow to get their business licences to be formalised or regulated MSEs:

- Submit an application to the Woreda chairperson.
- The chairperson corresponds with the MSE office.
- Every MSE is required to save with a microfinance institution.
- The MSE office or the trade and industry office is responsible for issuing business licences.

The most difficult steps are those that come after this application. In this regard, Gebreselassie (2020:4) affirms that while obtaining a trade licence and business name is often straightforward; obtaining a certification of competency, a TIN, and registering for VAT requires time and effort.

3.3 THE ETHIOPIAN INFORMAL SECTOR'S POLICY CONTEXT

The Ethiopian Constitution mentions the responsibility of the government to provide employment opportunities for its citizens as well as the right of employees to form trade unions (FDRE 1995). Articles 41 (6 and 7), for instance, specify the following: *"The State shall pursue policies which aim to expand job opportunities for the unemployed and the poor; and the State shall undertake all measures necessary to increase opportunities for citizens to find gainful employment"* (FDRE, 1995:3).

According to the *National Employment Policy and Strategy of Ethiopia* (MoLSA, 2009), the youth-focused employment mainstreaming strategies include:

- Enhancing the quality of education and TVET.
- Increasing the youth support package in a more organised manner.
- Nurturing the entrepreneurship of the youth.
- Promoting youth employment initiatives and young people's entry into business.

Apart from the 1961 *Handicrafts Association Proclamation*, Ethiopia did not have a functional MSE policy or institution until that year (Ethiopian Law Information Portal, 2019). However, since 1991, the FDRE has acknowledged small business development and promotion as crucial tools for tackling issues such as equality, economic growth, and unemployment. Legal frameworks that support the growth and development of both new and existing small businesses have been adopted in Ethiopia (Seyoum, 2015:6).

The *National Micro and Small Enterprises Strategy* (1997), which was followed by the creation of the *Federal Micro and Small Enterprises Development Agency*, was the main policy instrument implemented with this goal in mind. Additionally, the 2003 *Industrial Development Strategy* highlights MSE promotion as a crucial tool for fostering entrepreneurship and a successful private sector (AA MSE, 2016). The plan considered how important it is to provide organised MSE operators with suitable working premises, training, skills development, market connections, credit services, and financial assistance.

MSEs are part of the regulated informal sector, and they can either be legally recognised by the *Cooperative Societies Proclamation* (Federal Negarit Gazeta Proclamation No. 985/2016, 2016) or granted a business licence under the country's *Commercial Code of 1960 Article 212* (2) (FDRE,1960). MSEs are accredited in accordance with these rules, treated as commercial entities, and are required to begin paying taxes (Ethiopian Law Information Portal, 2019).

The *National Youth Policy* (NYP), which was adopted in March 2004, is one of Ethiopia's most significant youth-specific governmental policy instruments (MoYSC, 2004). In order to "bring about active engagement and create favourable conditions for the youth to create new employment," (MoYSC, 2004) the NYP seeks to empower the next generation. In September 2006, the *Youth Development Package* (YDP) was introduced (MoYSC, 2004). The YDP was created to address issues including unemployment, a lack of social services geared to the youth, and a lack of avenues for involvement (Gebremariam, 2017:2). Since 2005, Ethiopia has also implemented a number of youth-inclusive national plans (MoFED, 2016:86; Gebremariam, 2017:2). In each of these plans, the Ethiopian government has emphasised MSEs as a crucial development and job-creation strategy. These comprise:

- *The PASDEP, 2005-2010, or Plan for Accelerated and Sustainable Development to End Poverty.* The objectives of the NYP were pursued through a ten-year multi-stakeholder approach in this plan (MoFED, 2010).

- *The Growth and Transformation Plans (GTP I), 2010–2015.* These plans implemented the goals of youth employment and youth empowerment (MoFED, 2010).
- *The GTP II, 2015-2020.* In 2018, the EPRDF Government in Ethiopia was deposed and replaced by a new government. The EPRDF administration was adamant that MSEs were the best approach to lowering urban unemployment and, by extension, lowering poverty. It included the agenda for the informal sector into all its key policy frameworks, including GTP I and GTP II, which seek to achieve an annual GDP growth of between 11 and 15%. Additionally, it has approved the execution of a ten-year local economic development plan (2020-2030) with the informal sector as the primary focus. As a result, the government has given the informal sector extensive assistance. The youth were seen as important players in the consolidation of democracy and as targets for development investments through business entrepreneurship and participation in MSEs. To do this, it proposes to enrol 7.43 million teenagers in MSEs and 1.35 million in cooperative organisations (MoFED, 2016).
- *The Roadmap for Prosperity Ethiopia's Ten Years Perspective Development Plan (2021-2030).* Ethiopia uses the development plan as a path to prosperity starting in 2020 (The Planning and Development Commission of Ethiopia, 2020: 24). This plan critiques earlier programmes for failing to provide young people with adequate work. As a result, one of its primary objectives is the creation of jobs, as well as the growth of MSEs and medium-scale manufacturing. It plans to provide the groundwork for the domestic industry and create value through strengthened sectorial connections (The Planning and Development Commission, 2020:24).
- *The Micro and Small Business Development Policy and Strategy of 2016 from the Ministry of Urban Development and Housing (MoUDH, 2016).* The informal sector received development priority in the new government programme since it is crucial for eradicating poverty and increasing jobs. To restructure the urban safety net, public and social security services, and youth

employment strategies, significant institutional reforms have been implemented. The current National Micro and Small Enterprises Development Strategy, which was enacted in 1997 and later amended in 2011, has not changed, despite a number of sector-specific policy reforms and the re-organisation of regulatory agencies. The city had planned to enable the development of 500 competitive MSEs yearly, of which, at least 40% were projected to be active in manufacturing sector from the years between 2020 and 2035, according to the KII sources of the MSE coordination offices. By 2025, the city requires that at least 70% of MSEs must be upgraded to a medium-scale industry status.

The organogram of the city MSE's office has been separated from the general trade enterprises in its structure. In effect, MSEs are a highly focused area for employment creation and incorporating the informal sector into the development agenda of the government of Addis Ababa. The MSEs coordination office is made up of 2700 experts or development workers at the district or Woreda level, 60 experts at the city level, 130 experts at the sub-city, and 60 experts at the sub-city level. In order to do this, the Addis Ababa City Council developed a coordination committee that aims to improve the function of targeted assistance to informal sector development structures by including all citywide players in sectorial development. All stakeholders are expected to play a role in promoting the grand objective of creating employment for the youth in the city. The function of MSEs as safety nets for Ethiopia's youth unemployment is highly valued by this strategy. Its objectives included:

- Creating 1.5 million (50% female) jobs.
- Providing credit amounting too over Birr 4 billion (USD 200 million) to operators through government microfinance institutions.
- Providing training for 1.2 million MSEs.
- Supplying 8,000 production and market shelters.

- Supporting 61,000 businesses, people, and users with the necessary technological and manufacturing equipment. The strategy acknowledges significant obstacles, such as poor loan repayment plans, a lack of credit, insufficient credit usage expertise, inadequate land availability, restricted technology transfer, and weak market ties.

- *The Ethiopian National Population Policy* (Hailemariam, 2016:2) was adopted in 1993 with the intention of bridging the gap between rapid population expansion and inadequate socio-economic improvement. By reducing the rate of urban migration and lowering the population increase, this programme aimed to accelerate economic growth. However, the Independent Advisory Group (2020) contends that these policy packages are not broad enough to include members of non-political parties since the government allocates them unfairly to young people who belong to the ruling ethnic elite. According to the Independent Advisory Group (2020:32&38), the current government gives benefits to its supporters and offers jobs, but it is difficult for young people without a political affiliation to even get support letters from the government for the purpose of applying for jobs or joining MSEs.

Additionally, there are no enforcement mechanisms to safeguard the operators in the unregulated informal sector, and current laws and regulations either do not cover it adequately or do not cover it at all (Gebremariam, 2017). In Addis Ababa, police frequently chase street vendors away, infringing on their human rights in the process.

3.4 THE ADDIS ABABA INFORMAL SECTOR'S POLICY SETTING

Addis Ababa is organised administratively into different sub-cities, woreda, and kebele categories (AA MSE, 2016). A little more than 36% of the city's residents live in poverty, while 61% work in the non-regulated informal sector (BOFED, 2018). The city's resources are insufficient to cover its expenditure requirements and development goals (BOFED, 2018).

In addition to the youth and employment policy initiatives, the government also promulgated an urban development policy in 2004 (MoUDH, 2016), shifting away from agriculture-led industrialisation and placing a deliberate emphasis on the development of urban centres as a catalyst for the expansion and development of the economy. Through the creation of low-cost condominium housing, this strategy sought to increase access to cheap housing and jobs. The strategy calls for the development of between 150,000 and 200,000 dwelling units in Addis Ababa (MoUDH, 2016). More than 60 000 temporary and permanent jobs are expected to be created by this plan. The importance of micro and small businesses that might supply labour, knowledge, and raw materials for the house building industry was highlighted. These businesses received further assistance, including finance services, technical and vocational training, and other crucial support (MoUDH, 2016).

The policy for the regulation of the MSEs sector is another endeavour. The informal sector is dominated by sole proprietorship in 99.1% of the cases (CSA, 2018). Priority was given to seven growth-oriented sub-sectors: textiles and apparel, food processing, woodworking, building, municipal activities, urban agriculture, and cobblestones. Currently, 318,458 operators are actively involved in these industries (BOFED, 2017).

However, in Addis Ababa, ethnically oriented networks are becoming more significant in a new political context to broaden their support base among ethnic minorities. Benefits are distributed selectively to their constituency for this reason depending on their ethnic background (Meester & Ezzeddine, 2021). Because of this, some ethnic groups in the informal sector experience ongoing poverty and inequality, this further marginalises immigrants from relatively minority backgrounds (Meester & Ezzeddine, 2021).

3.5 KEY STAKEHOLDERS' COORDINATION

The City Administration, the Addis Ababa TVET Agency, the Micro Finance Institution, and MSE's Agency are the main parties coordinating Ethiopia's assistance for the legalised informal economy (MoUDH, 2016). With the aim of providing the services as a single entity, each agency is required to provide its unique insights for the improvement of the informal sector. As a result, each agency's function is detailed below and integrated within a single framework, as shown in Figure 3.1.

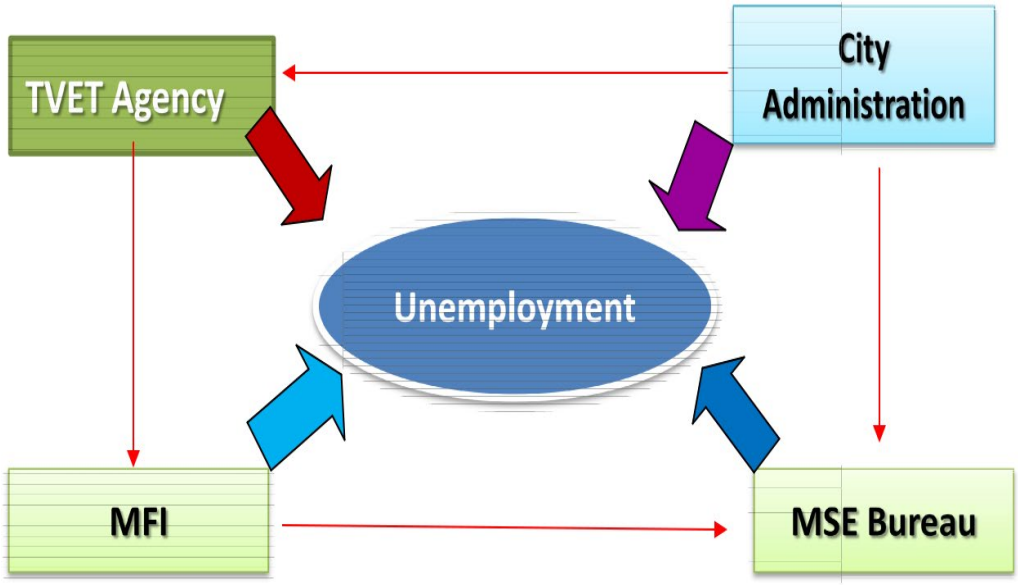

Figure 3.1: Framework for coordinating activities to improve MSES development

Source: Addis Ababa MSEs Strategy (2016)

The erratic and disorganised nature of TVET system delivery in Africa is one of its major deficiencies, according to the AUC TVET Strategy (2016). As a result, resolving these institutional difficulties should be at the core of the current policy. Ethiopia has established the TVET Agency as the primary coordinating agency that gives inputs for youth employment in response to this (AA MSE, 2016). The TVET Agency is the focal point for institutionalising, mapping, and updating jobs in terms

of the need of the non-regulated informal sector, and it makes it easier to match demands with possibilities there (TVET Agency, 2008). Additionally, it coordinates the creation of the curriculum, offers training for practical skills, and increases the capacity of the informal sector.

Additionally, each participant is given a specific task to complete, but everything is coordinated under the direction of the municipal administration to provide work for young people in the non-regulated informal sector. As a result, the municipal government ensures that policies are designed appropriately, addresses implementation issues, offers legal services to establish lawful commercial enterprises, and promotes the availability of workspace (Ageba & Amha, 2006). In order to achieve collaborative and coordinated execution of the Micro and Small Enterprise Development Policy and Plan and to encourage stakeholder dialogues and consultative forums, the municipal administration also employs a stakeholders' engagement strategy (AA MSE, 2016).

Similar to how MSEs develop their long-term, medium-term, and short-term plans, the Federal Micro and Small Enterprise Development Agency also oversees and assesses the implementation of those plans. It also enables MSEs' access to audit service providers, engages in both domestic and international market development operations, and gathers, compiles, and disseminates data and information on MSE development that might help their accelerated development (MoUDH, 2016). Additionally, the MSEs Office helps with:

- Licensing
- Credit, marketing, business development services (bds) and working premises
- Managerial and technical training
- Access to tools
- Subcontracting for marketing and input supply (AA MSE, 2016).

Additionally, because it speeds up the formalisation process, MFI's function in the coordination team is the most important. The World Bank urged businesses to become official entities as their access to financing increased (Franziska & Yu, 2021). According to Franziska and Yu (2021), companies that view funding as a major barrier to their operations have an average of a 16% likelihood of concealing at least 50% of their revenues, compared to companies that view financing as a minor barrier, where this probability falls to 6%. Additionally, the MFI disburses loans, mobilises deposits, and organises and integrates the MFI's and MSE's activities (Ageba & Amha, 2006). This is done with an MFI loan of 80% and personal savings of 20% (AA MSE, 2016). Monitoring the collateral agreement and ensuring more robust legal enforcement are tasks that fall under the purview of the MFI.

As a result, the implementation of these rules has produced notable results. For instance, the report (MoUDH, 2016) indicated that the sector was able to cover the first four years of the GTP implementation phase from 2011-2014:

- Generate 6.67 million jobs beyond the planned GTP period (3 million).
- Generate BIRR 25.62 billion through domestic market linkages, beyond the goal set for the total GTP period (Birr 10 billion).
- Generate 65,375,026 USD through foreign market linkages, exceeding the goal set for the total GTP period.
- Facilitate credit to the amount of Birr 9.87 billion.
- Facilitate saving the amount of Birr 11.037 billion.
- Provide working premises comprising 16,753 shaded areas and 567 buildings.
- Provide technical and management training for 5,087,358 million MSE operators.

By enhancing citizens' income and domestic savings, this accomplishment has assisted in lowering urban unemployment from 20.4% in 2009/10 to 16.5% in 2016. (MoUDH, 2016). The COVID-19 pandemic has, however, put the MSEs'

accomplishments in jeopardy as of 2020. According to the ILO (2020a), COVID-19 resulted in severe economic losses during lockdowns for informal businesses. Due to a lack of physical capital, limited investment, and weakened global trade and supply links, COVID-19 has damaged the expansion of the informal sector permanently (ILO, 2020b). Additionally, the lack of social safety nets makes it more difficult for informal workers to afford to follow social distancing rules, undermining government efforts to stop the spread of COVID-19 (Franziska & Yu, 2021).

The Addis Ababa City MSEs Agency (2016) also identifies significant obstacles to the sector's growth as follows:

- The MSEs industry, as a whole, has little entrepreneurial and technological competence.
- There is a significant gap between the demand for and availability of financial services for MSEs.
- A lack of saving habits amongst the youth.
- Limited outreach of MFIs capacity.
- Budget constraints in preparing working spaces for MSEs.
- Low productivity and poor product quality.
- Lack of market access for products and services.
- Inadequate market intelligence as a result of inadequate information technology use and managerial expertise.

3.6 CONCLUSION

The potential for harnessing a demographic dividend can only be activated if the correct policies are in place, and this means, chiefly, also understanding the dynamics that link the demographic factors with the developmental issues in a specific context (Allen, 1999). This policy review revealed the need for this study to address a gap in areas pertaining to youth unemployment, the informal sector, and the potential to benefit from demographic dividends. A problem in this regard

is that a large proportion of young people earning a living in the informal non-regulated industry with no inclusive policy to integrate them into the national development plan of the country. Furthermore, though the transition from an age structure dominated by children to an age structure dominated by people of a working age, a roadmap is needed for harnessing demographic dividends in Ethiopia.

Ethiopia developed measures to limit the expansion of the informal sector to address the problem of youth unemployment. The key policy tools were the Ethiopian Constitution (FDRE, 1995), the Ethiopian National Employment Policy and Strategy (MoLSA, 2009), MSEs Strategy (2011), and the TVET Strategy (2008). These policies are being implemented in a coordinated manner within a predetermined framework presided over by the local administration.

Ethiopia has promoted the informal sector as a significant source of business through these policies since 1991. It has recognised the promotion and development of small firms as essential vehicles in tackling the concerns of unemployment, economic growth, and equity. As a result, the informal sector produced 6.67 million employment opportunities in Ethiopia between 2011 and 2014, one million of which were in Addis Ababa (MoUDH, 2016). However, the current incidence of the COVID-19 epidemic has significantly hampered this endeavour.

Given the revisionist school of thought, there are policy gaps that ignore the cultural, economic, institutional, and demographic facts that undergird the potential to harness the 'window' of potential economic growth.

CHAPTER 4: RESEARCH METHODOLOGY AND ETHICAL CONSIDERATIONS

4.1 INTRODUCTION

In this chapter, the researcher describes the research methodology and ethical considerations. The philosophy undergirding this study is considered, and the research design is described. The researcher chose a pragmatic mixed methods strategy to inform the sampling strategies and data collection tools. In this chapter, the researcher also details the quantitative and qualitative data collection and analysis processes, highlighting the reliability, validity, credibility, confirmability, transferability, and ethical considerations.

4.2 RESEARCH PARADIGM

Different authors articulate the concept of the 'research paradigm' as a view of reality (Aliyu, Singhry, Adamu & Abubakar, 2015); what one believes about the world (Lather, 1986 in Kivunja & Kuyini, 2017); and a process that informs the research plan (Yong, Husin & Kamarud, 2021). The purpose of the research paradigm is to establish the foundation of the research that informs the research theories, methods, and practice (Lather, 1986, in Kivunja & Kuyini, 2017).

Ae research paradigm has four elements: ontology – what is there to be known, or what exists as reality; epistemology – an element that explains how we come to know knowledge; axiology – ethical issues that need to be considered in the study process; and methodology – a study's approach, design, plan, methods, and procedures used (Lather, 1986 in Kivunja & Kuyini, 2017). Accordingly, in line with those paradigm elements, a logical and deliberate structure is established for carrying out the research.

Pragmatism, a problem-solving philosophy that bridges the positivism and interpretivism approaches within a single study (Candy, 1989, in Kivunja & Kuyini, 2017) underpins this study. The ontology of this paradigm acknowledges that some aspects of reality can exist independently, whereas some aspects are socially constructed (Candy, 1989, in Kivunja & Kuyini, 2017). The epistemology of pragmatism regards sources of knowledge as situated in the unique experiences of the targeted units of observation (Yong *et al*., 2021). The pragmatist axiology endorses shared values and rejects dualism (Saunders, Lewis & Thornhill, 2012).

The methodology of pragmatism entails that the research problem is solved through methodological pluralism that combines quantitative and qualitative approaches (Khaldi, 2017; Lockyer, 2006).

4.3 THE RELEVANCE OF PRAGMATISM FOR THIS THESIS

The researcher regards pragmatism as a suitable philosophy for this thesis because of the reasons summarised in Table 4.1.

TABLE 4.1: SUMMARY OF THE RELEVANCE OF PRAGMATISM FOR THIS THESIS

Essential elements of pragmatic paradigm	**How the paradigm elements are related to the thesis**
The ontology of this paradigm acknowledges that some aspects of reality exist independently from people's perceptions and that others are socially constructed (Candy, 1989, in Kivunja & Kuyini, 2017)	The existence of the informal sector is a reality in the context. However, how it is conceptualised in the policy in terms of its role as a safety net for youth unemployment in terms of the growth in income, food security, dependency ratio and level of education exist and quantified, is abstract. In addition, there are subjective aspects that this research attempts to explore, such as the lived experiences of case studies

Essential elements of pragmatic paradigm	How the paradigm elements are related to the thesis
	where young people earned a livelihood in the informal sector. Hence, the ontology of pragmatism best fits this thesis as a lens of world view.
The **epistemology** of pragmatism emphasises the unique experiences of people as a legitimate source of knowledge (Aliyu *et al.*, 2015)	In accordance with this epistemological imperative, this study, in addition to the survey, analysed the experiences of the informal sector in Addis Ababa, was analysed and their characteristics and factors that determined the effectiveness. were examined.
The **axiology** of pragmatism endorses shared values, and suggests that research conclusions are always partial (Khaldi, 2017)	The study's data collection followed the ethical principles of informed and voluntary consent. The researcher guarded against distortions or misinterpretations of the information provided by the respondents. For both the quantitative and qualitative phases of the study issues of reliability, validity, credibility, and confirmability were addressed.
Pragmatist methodology seeks any best approach to gaining knowledge and uses methodological pluralism by combining quantitative and qualitative approaches (Pernice, 1996).	In this study, methodological pluralism was applied in the use of a mixed methods research design. This approach enabled the researcher to undertake quantitative and qualitative research phases to gain an in-depth understanding of the dynamics of the informal sector.

Source: Author 2022

In this regard, the first two research questions of this study – "What is the role of the informal sector in providing as a safety net for youth unemployment?" and "What are the main factors influencing how well Addis Ababa's informal economy functions as a safety net for youth unemployment?" – have been covered in this study's quantitative and qualitative processes. The third research question, "How can the informal sector employees be linked to or integrated more effectively with

the formal sector for the sake of development?" was best addressed in the qualitative phase.

Even though the results are presented in detail in later chapters of this thesis, the example that follows shows how the adoption of a pragmatic paradigm and a mixed methods approach added value to the thesis. The results of the quantitative survey showed that 56.4% of respondents, the bulk of whom were non-regulated informal sector workers, did not have a Kebele identity document (ID), and that there was a 92% difference in the mean monthly salary between those who had ID cards and those who did not have them.

However, a qualitative approach's profundity was necessary to continue examining the dynamics underlying the income difference and the reasons why such a large number of survey respondents lacked ID cards. The qualitative phase found that, regardless of how long they had been selling goods on the street; persons without IDs were denied access to crucial city services. By consulting with government experts, the researcher discovered that restrictions on internal labour movement were severely enforced because city officials wanted to avoid the city from incurring additional costs. Additionally, crucial information stemming from interviews with unregulated informal sector workers revealed the ethnic underpinnings of the city's regulatory politics, favouring immigrants from areas where the ruling party was dominant to increase their social base and political base in the city. As a result, combining quantitative and qualitative methods enabled a deeper comprehension of the problem's dynamics, which would otherwise have been missed in a mono-method research orientation.

4.4 RESEARCH DESIGN SELECTION

According to Ashirwadam (2020), the main obstacle in a mixed methods research design is to combine qualitative and quantitative data collection and analysis successfully to understand the research problem more in-depth. As a result,

Ashirwadam (2020) believes that the qualitative and quantitative stages might take place concurrently or in a different order.

According to Agency for Healthcare Research and Quality (AHRQ) (2013), there are two different types of efficient designs for mixed methods studies: concurrent or parallel designs, in which the qualitative and quantitative data collection phases take place concurrently, and sequential designs, in which these data collection phases take place sequentially. To understand the dynamics of the informal sector as a strategy to solve youth unemployment, the researcher first implemented the survey, and then undertook the qualitative KIIs. Therefore, the study followed a sequential mixed methods research design.

The researcher used a descriptive approach, which according to Nassaji (2015), is used when the goal is to present a systematic description and analysis that is as factual and as precise as possible.

4.5 SAMPLE SIZE DETERMINATION AND SAMPLING STRATEGIES

The population considered under this study are of households with youth currently working in the informal sector. Hereunder, the sample size of selected population, sample size determination strategies and techniques for the qualitative analysis are described.

4.5.1 Population of the study

As shown in Figure 4.2, the target population consisted of households with young persons' currently working in the informal sector in Addis Ababa, and the accessible population was primarily the informal sector workers in Addis Ababa and engaged in different types of businesses. The population of three Woredas in three different sub-cities was the study's primary focus, especially those working in the production, trading, and service industries in the informal sectors.

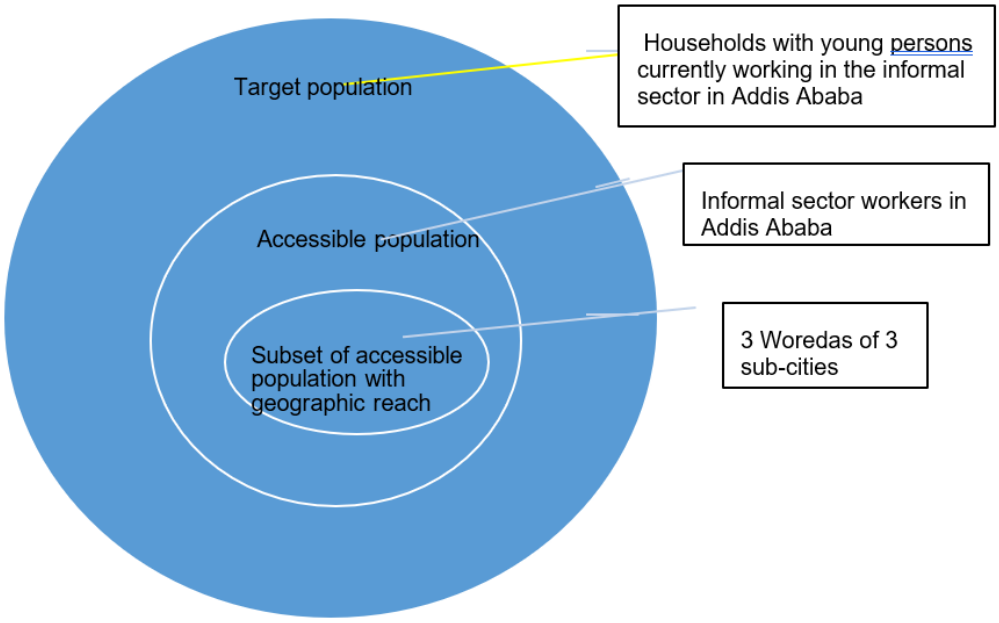

Figure 4.1: The study population

Source: The author (2021)

The researcher used an estimate of the informal sector workers who had applied for registered MSEs in 2019 to determine the overall population of operators in the informal sector. As can be seen from the Figure 4.3, these were roughly 45,000 (27,000 males and 18,000 females). This is by no means an exhaustive or updated list and obtaining one would be close to impossible. According to Nordling (2017), the informal economy is a dynamic industry that makes it difficult to update the sampling frame on a regular basis.

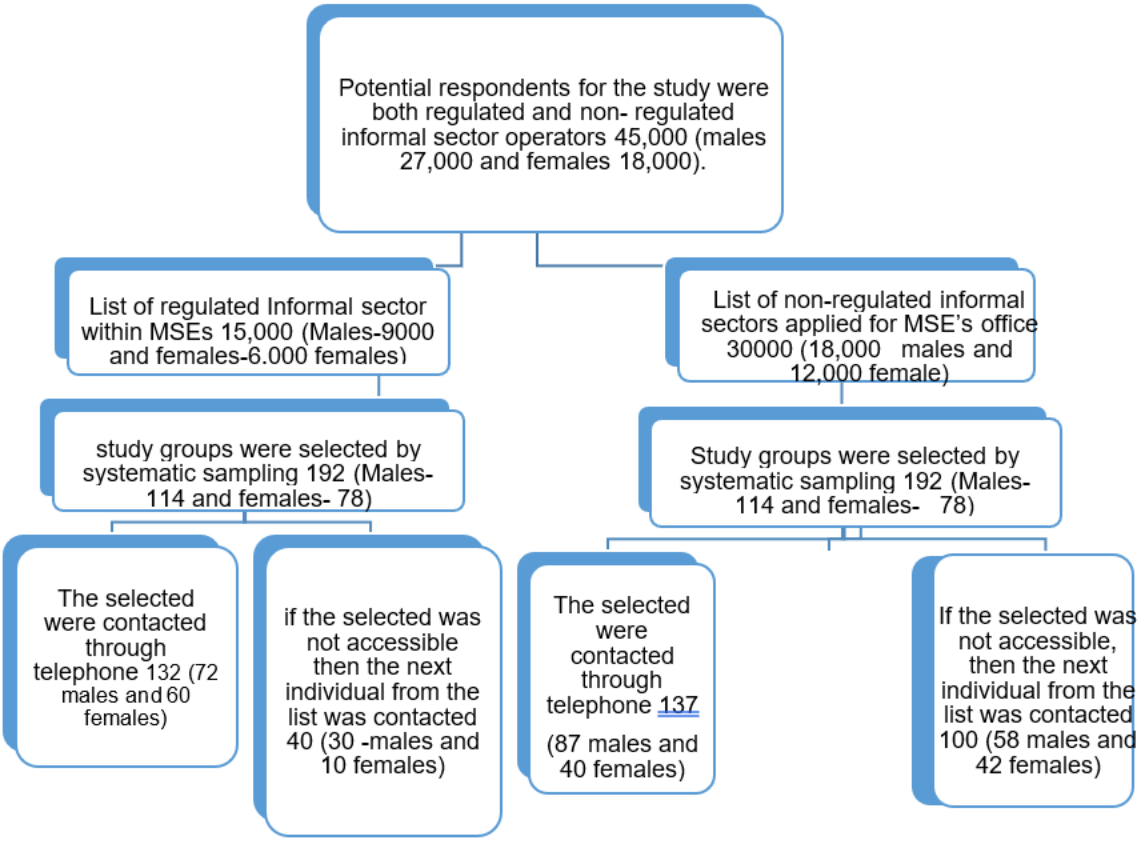

Figure 4.2: Selection procedures of participants for telephone survey

Source: The author

4.5.2 Sample size

A sample comprises a portion of the population chosen to take part in a study. It represents the features of the population, and the results of the study can be applied to the population from which the sample was drawn (MUSL, 2020). The benefit of gathering data from a representative sample of the population is that it is affordable, accessible, and time-efficient (Ochoa, 2015). There is a widespread belief in research that larger samples improve generalisation, lower variation, and boost the potency of statistical studies (Ochoa, 2015).

4.5.2.1 Sample size determination and sampling strategies for the survey

According to Ochoa (2015), the required sample size mostly depends on the proportion of the population the researcher wants to examine; the amount of error he decides to tolerate; the size of the population; the significance of specific subgroups; and the amount of funding available. By calculating a confidence interval for the population mean, the survey's margin of error, which modifies the standard error to account for any potential discrepancies between the sample and the population, is referred to as having a "tolerable error" (Cochran, 1963). A 95% confidence range is typically employed, and a typical acceptable margin of error is between 3% and 5% (MUSL, 2020).

In order to determine the sample size, the researcher used Cochran's formula

$$n = \frac{Z^2 \cdot p \cdot (1-p)}{e^2}$$

n is the minimum sample size required.
p is the proportion belonging to a specified category.
1-p is the proportion not belonging to a specified category.
e is the margin of error required.

The sample size for this study's quantitative (that is, the household survey) phase was 384 informal sector workers to meet a confidence level of 95% and a margin of error of 5%. Due to the researcher's lack of prior knowledge of the anticipated outcome, p=50%.

n = 1,96^2 * 0,5 * (1 – 0,5) / 0,05^2 = 384,16 -> 384

The researcher used a staged random sampling approach for the quantitative phase. Firstly, sub-cities were chosen randomly. The researcher printed the names of the sub-cities on paper, then cut them up and put them into a box, then randomly

drew three sub-cities (Addis Ketema, Yeka, and Gulele). Secondly, the researcher selected one Woreda from each of the three sampled sub-cities by considering the proportional size rule, and using the same random selection technique as in the first round when the sub-cities were chosen. Thirdly, the researcher had to select informal sector workers aged 18 to 29 randomly from the list of the households from each Woreda in the study areas.

The Micro and Small Enterprises Agency's database, which served as the sampling frame for the selection of the respondents, included the addresses and the telephone numbers of the informal sector employees. This database listed the regulated MSEs and the non-regulated informal sector workers who were in the queue to be organised into regulated MSEs. The ages, addresses and profiles of the informal workers were already known. Respondents eligible for inclusion in the final sample had to be young people (ages 18 to 29 years) who were involved in the informal economy.

The AU, ECA, AfDB and UNDP (2019:5) note that female workers in this sector often receive lower salaries and experience more job insecurity, Hence, the researcher decided to include both male and female respondents. Table 4.2 displays the initial and realised sampling used to select the number of respondents.

In order to ensure that both regulated and non-regulated informal sector workers were included, the researcher had to include respondents beyond the initial sample size of 384 by recruiting 409 informal sector workers. As shown in Table 4.2, the realised sample for Addis Ketema (Woreda 08), was 161 informal sector workers, whereas for Gulele (Woreda 03), three additional respondents were recruited, and for Yeka (Woreda 02), twenty-three additional respondents were recruited.

TABLE 4.2: QUANTITATIVE HOUSEHOLD SURVEY SAMPLING STRATEGIES

Sub City	Total No. of Woredas	Sample Woreda	Population	Proportional to size of	Planned sample size	Realised sample size
Addis Ketema	9	Woreda 08	4,395	42% of 384	161	161 (39.3%)
Gulele	10	Woreda 03	3,399	32% of 384	123	126 (30.7%)
Yeka	11	Woreda 02	2,778	26% of 384	100	123 (30.0%)
Total	30	3	10,572	100% of 384	384	409 (100.0%)

Source: Extracted from CCRDA 2016

Yeka is a unique sub-city with more variety in informal sector activities compared to other sub-cities because of its expansive geographic area and closeness to rural areas, which is why the researcher oversampled Yeka. Yeka is four and six times bigger geographically than Addis Ketema and Gulele respectively. Due to its proximity to the Oromia Region, it has both rural and urban forms of livelihood. Understanding the economic and demographic factors that influence the rural-urban relationship is therefore helpful.

The eventual sample, as shown in Table 4.3, shows that the goal of including the three sub-cities was attained successfully. However, 172 regulated and 237 non-regulated individuals were recruited, despite the researcher's intention to include an equal number of both types of workers. Additionally, the sample included 58% men and 42% women from the regulated group as well as 51% men and 49% women from the non-regulated category, giving men a share of the sample overall of 54.2% and women a share of the sample of 45.8%.

TABLE 4.3: THE 409 SAMPLED RESPONDENTS BY SUB-CITY, GENDER, AND TYPE OF INFORMAL BUSINESS

Sub-Cities	Type Of Activities	Regulated			Non-regulated		
		Male	Female	Total	Male	Female	Total
Addis K	Trade	4	9	13	14	19	33
	Production	20	12	32	8	13	21
	Service	18	8	26	16	19	35
	Total	42	29	71	38	51	89
Gulele	Trade	8	8	16	9	19	28
	Production	10	12	22	12	8	20
	Service	7	1	8	20	12	32
	Total	25	21	46	41	39	80
Yeka	Trade	5	8	13	13	11	24
	Production	9	8	17	6	9	15
	Service	10	5	15	11	8	19
	Total	24	21	45	30	28	58
Total	Trade	17	25	42	36	51	87
	Production	42	32	74	26	29	55
	Service	42	14	56	49	46	95
	Total	101	71	172	111	126	237

Source: The author (2021)

Similarly, 25.6%, 37.8%, and 36.6%, respectively, of the sample covered business types like production, trade, and services of the regulated category. In a similar vein, the production, trader, and service sub-sectors, respectively, had 34.6%, 30.9%, and 36.6% of non-regulated informal sector employment.

To get sufficient respondents per type of activity and by gender, however, was beset by challenges. It is impossible to track down every unit identified in the sampling frame because informal sector workers are known to change jobs frequently. Some of them had already abandoned their jobs, and others had switched their lines of work without informing the MSE offices (for example, from traders to services or services to producers). Additionally, the MSE offices' existing sampling frame was not updated consistently. The database of the MSEs agency and the reality on the ground were quite different. For that reason, the researcher needed to replace some respondents who were not able to respond to telephone calls. The COVID 19 pandemic, which did not allow for physical data collection made home visits to find all the respondents impossible.

4.5.2.2 Sampling techniques for the qualitative phase

Key informants (KIs) from the Addis Ababa MSEs Agency, TVET and the Employment Commission, Finance and Economic Development Offices, and informal sector employees were purposefully chosen by the researcher for the qualitative phase.

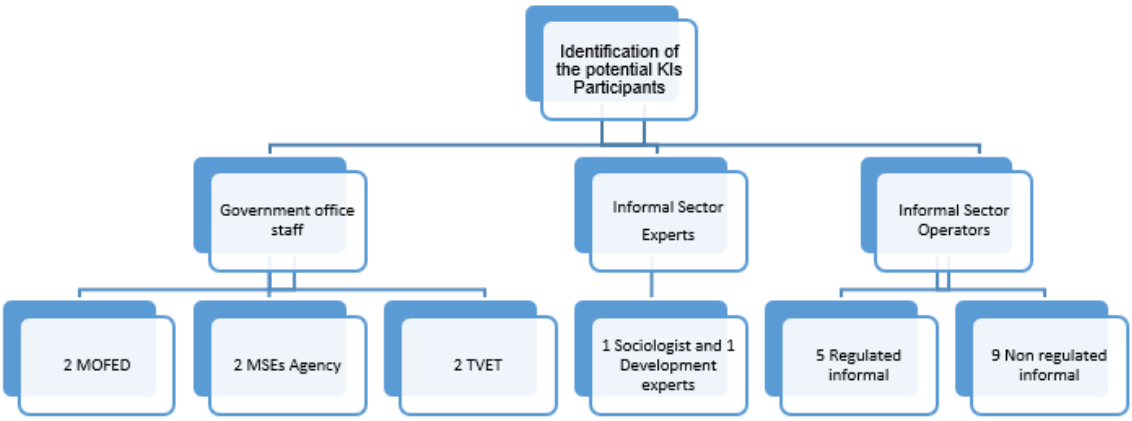

Figure 4.3: Procedures for choosing participants for KIIs in the quantitative phase

Source: The Author (2022)

According to Saunders *et al.* (2017), the sample size for qualitative research is influenced by the degree of saturation of the data obtains from a particular population. The size of the sample, according to these authors, is determined by the type, scope, and design of the study as well as the accuracy of the data. In order to provide qualitative data to complement the conclusions of the quantitative data, this research conducted telephonic interviews with 22 participants. These individuals were selected from the government offices (MSEs agency, TVET Agency, cooperative offices, and woredas and city administrations), non-governmental bodies such as independent researchers, and Informal sector workers. All of them have hands-on experience and rich knowledge in the areas of informal sector management. The Informal sector workers were young persons (15 to 29 years of age) who were not currently attending school or education and who earn an income in the regulated or unregulated informal sector in the chosen Woredas.

4.6 DATA COLLECTION

Data collection under this research followed steps that include getting approval for the research; selecting and training research assistants; pre-testing the tools; designing data collection techniques; data analysis (*q*uantitative and qualitative data analysis) and mechanisms to check the validity, reliability, transferability, dependability, and confirmability of data.

4.6.1 Securing approval for the research

After receiving an ethical clearance number (see Appendix A) from the College Research Ethics Committee of UNISA, the researcher requested permission formally to perform the study with the MSE's Agency. Furthermore, the researcher sent research request letters to the administrative Woredas of Yeka, Addis Ketema, and Gulele. The researcher began recruiting respondents after receiving formal approval from these gatekeepers.

The research participants' informed consent (see Appendix B.1) regarding their decision to take part in the study was gained after the researcher made the initial phone calls recruiting them to participate. Some government employees who took part in the KIIs sent an email confirming their agreement to participate to the researcher and data collectors. At the beginning of the call, others gave their approval verbally.

4.6.2 Selecting and training research assistants

The researcher recruited and hired six research assistants with at least three years' survey technique expertise. The research assistants had degrees in Sociology, Economics, Demography, and Development Studies. Additionally, they were proficient in both Amharic and English and had survey-planning expertise. The respondents were interviewed in a language with which they were familiar.

Using Skype, the researcher trained the research assistants over the course of three days. The training emphasised:

- Implementing the sampling strategy and executing the inclusion criteria for suitable interviewees.
- Obtaining informed consent and observing ethical principles.
- Building rapport with the respondents.
- How to ask the questions and mastering the questionnaire's contents.

Throughout the data collection procedures, regular feedback meetings were held with all fieldworkers using the same methods. The research assistants signed confidentiality agreements. The wording of these agreements was approved by the College Research Ethics Committee of Unisa.

4.6.3 Pre-testing the survey questionnaire and the KII interview schedule

To get feedback on the survey instrument, which is a structured questionnaire, the researcher conducted ten interviews as part of the pre-test to evaluate the questionnaire's quality. This aided the researcher in identifying certain discrepancies in the questionnaire's interpretation as well as the difficulty presented by lengthy sentences that are inappropriate for a telephone survey.
Two experts, a sociologist with experience managing the informal sector operations in government agencies and a development specialist with more than 20 years' experience in planning and development activities pre-tested the KII interview schedule.

4.6.4 Data collection techniques

In this subsection, the data collection methods to obtain the quantitative household data and the qualitative phase data were described along with the response rate of the study. The quantitative data collection started in mid-January 2021 and ended on 30 March 2021. However, the researcher collected additional data in

April 2022 after getting consent from the supervisor to fill the gaps that were revealed in the preliminary analysis.

4.6.4.1 Quantitative phase's data collection methods (household surveys)

For the household survey, this study employed a closed-ended questionnaire that was suited for telephone interviewing and had a list of suggested or potential replies (See Appendix C). The research objectives and the literature review served as the foundation for the questionnaire. It was written in English and then translated into Amharic and both versions were presented to the College Research Ethics Committee of Unisa as part of the ethical clearance process.

The sampled respondents were contacted by the researcher and the research assistants and recruited for participation in the survey. A date and time for the telephone interview was then arranged. For each interview, the research assistants entered the responses on an electronic copy of a questionnaires and forwarded completed questionnaires to the researcher. The researcher examined each completed questionnaire carefully. However, despite the efforts that the researcher and the assistants made to check the completed questionnaires thoroughly, there are still missing values where the respondents were asked to respond to the multiple responses. In the telephone survey, the response to the long multiple choices and follow up questions after the main questions were usually ignored by participants. Some problems were addressed by repeating the call with the respondents.

4.6.4.2 Qualitative phase's data collection method (key informant interviews)

The qualitative data collection process was executed in the period between mid-January to the end of March 2021 from the 22 key informants for this study. A schedule of open-ended questions was used by the researcher and his assistants to gather the informants' spontaneous responses in their own words. The research

assistants and the researcher recorded the interviews of KIs for this documentation. The primary rationale for employing KIIs in this study were its benefit over FGDs in the context of the COVID-19 pandemic and its appropriateness for gathering detailed information directly from the informants (Nichols, 2022).

4.6.4.3 The study's telephone interview response rate

UNISA prohibited in-person interviews because of the COVID-19 epidemic during the time when the fieldwork took place. Even though in-person, face-to-face interviews usually require more money for travel than telephonic interviews, they have the advantage of allowing for visual observation of the interviewees' non-verbal expressions.

Block and Erskine (2012) note that telephonic interviews that provide response rates 5 to 10% lower than the expected response rates for face-to-face interviews, are often acceptable. However, as the interviewers followed up continuously, the response rate for the quantitative survey was 101%. In addition, the KIs was conducted with the government officials, informal sector experts who have a good understanding in the dynamics of the business, and informal sector workers as can be seen from Figure 4.3. The overall response rate of the KIs was 100% as all 22 the KIs were interviewed.

4.7 DATA ANALYSES

Data analysis, according to Ashirwadam (2020), is a strategy for using data to answer the stated research objectives. AHRQ (2013) states that a mixed methods study may incorporate both qualitative and quantitative data by first analysing each component and then merging themes for the interpretation and conclusions of the findings.

As can be seen in Figure 4.4, the researcher used qualitative and quantitative data in a practical manner to address *why* and *how* questions as well as quantifiable issues. The researcher was able to tackle the research objectives holistically by combining these two approaches into one integrated design.

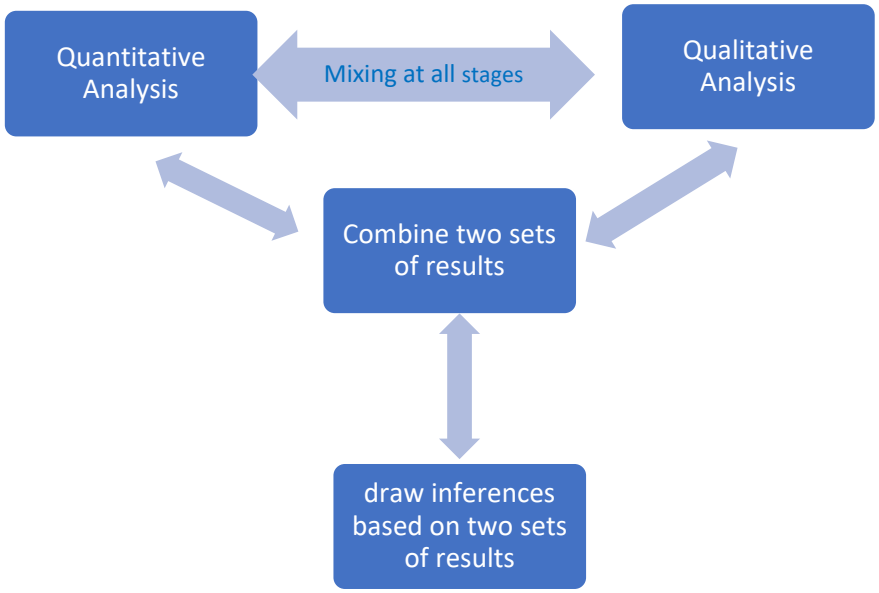

Figure 4.4: Basic mixed methods design logic

Source: Adapted from Clark and Ivankova (2017)

4.7.1 Quantitative data analysis

After checking the completed questionnaires, the research assistants helped the researcher to enter the data on a spreadsheet. The researcher combined the various spreadsheets and used SPSS to analyse the coded data. To examine the links between different demographic factors and the features of the primary respondents' informal sector at the household level, both descriptive and inferential analyses were conducted (Ali, 2021).

4.7.1.1 Descriptive data analysis

Before the data were imported to SPSS for frequency, percentage, pie chart, and bar graph analyses, the researcher assessed the data quality by examining outliers. Following that, the researcher consulted with a statistician for the SPSS analysis.

4.7.1.2 Inferential data analysis

According to Ali (2021), inferential data analysis is an inductive process that assists in generalising the study's sample results for the entire population by examining the interrelationships between variables. Since the variables appear to be connected in an observed sample, but may not really be related in the population, this analysis is never definite and is always probabilistic.

The purpose of the quantitative data analysis was to highlight the informal sector's significance as a safety net in raising the per-capita income, ensuring food security, and raising worker skills and education levels. Therefore, for the regulated and non-regulated informal sectors, the mean, standard deviation, maximum, minimum, and other pertinent descriptive statistics were assessed. The dependent variable, which represents the informal sector's monthly average income, was also associated with the following metrics:

- Market linkage.
- Access to training.
- Level of education.
- Regulated versus non-regulated status.
- Household size.
- Land acreage.
- Access to credit.
- Age of household head.

Moreover, the dependent and independent variables were tested and computed to see their relations, associations, contributions, and implications by employing different statistical packages, summaries and testing as indicated in the summary Table 4.4 below.

TABLE 4.4: DEPENDENT AND INDEPENDENT VARIABLES USED FOR TESTING

Statistics applied for	Dependent	Independent	Test
Multinomial regression fitting information	Monthly average income of the informal sector workers	• Regulated status • Kebele ID card • Ethnicity • Obtaining loan • Type of premises • Current No. of children • Gender • Current educational level • Age • Problem faced	Multinomial logistic regression
Skills training correlated with the regulated status of the business	Formal or non-formal status	Received skills training	Pearson chi-square and likelihood ratio tests
Difference between higher and lower income earners in terms of continuing their schooling	Current income	Currently studying	T-test
Test of correlation between the current number of children and the intended number of children	Number of children	The intended number children	Chi-square and correlation
Size of land owned before migration and the ethnicity	Size of land owned before migration	Ethnicity	
Chi-square tests of the association between the food security situation at	The food security situation at the	Ethnicity	Chi-square tests

Statistics applied for	Dependent	Independent	Test
the household level and ethnicity	household level		
Household income and status of regulation: chi-square tests of association	Monthly Income	Status of regulation	

Source: The author (2022)

In order to assess the performance of the informal businesses as a successful safety net for youth unemployment, the researcher, with the help of a statistician, conducted adequate regression models.

4.7.2 Qualitative analysis

The qualitative phase, in which the researcher evaluated concepts on the state of the informal sector with the main informants and discussed alternative policy possibilities, was guided by the findings of the quantitative analysis. Thematic analysis was used to categorise the transcribed interview data.

4.8 VALIDITY AND RELIABILITY FOR THE QUANTITATIVE PHASE OF THE STUDY

4.8.1 Validity

The degree to which key concepts are really measured by the planned measures is known as measurement validity (Heale & Twycross, 2015). To ensure the validity of the data, random sampling was used to give equal chance to all the eligible informal sector workers to be included in the sample. Based on the research questions and the literature review, and experience and knowledge of the informal sector, a variety of questions were included in the questionnaire to ensure the content validity.

The indicators were built up with the utmost care to ensure the validity of the research. In addition, the final research instrument was approved by the College Research Ethics Review Committee and was subjected to a pre-test.

The researcher set questions that would be comprehensible to the intended respondents. The final questionnaire was approved by the College Research Ethics Committee and a statistician and translated into Amharic. The questionnaire contained clear explanations of the purpose of the study. Based on the inputs from the research assistants and statistician a few minor adjustments, deletions, and additions were made to the questionnaire for a meaningful data analysis. The instrument was examined in a pre-test to ascertain the clarity, completeness, and relevance of each question item. The questionnaire was improved after the pre-test was used to gather data for the actual study. The research instrument's development was overseen by the supervisor to ensure that it included all the important study variables.

In addition, triangulation of the qualitative and quantitative data was done; and a validation discussion was organised with a few government experts on the data quality and preliminary findings of the research. Moreover, during the data collection process as well as during the analysis of the information, the researcher recorded how the data were analysed and explained how the conclusions were arrived at.

4.8.2 Reliability

The consistency of the measurements is what is referred to as reliability (Portugal, 2017; Marshall & Cox, 2008). The internal consistency of the study was checked by looking at the completed questionnaires. Utmost care was taken by the interviewers to avoid errors in obtaining information from the sampled informal sector workers.

Regarding the reliability of the questionnaire in terms of the wording and types of questions, the researcher and his assistants gave clear instruction to the respondents before the start of the session. They also informed the respondents of their right to skip or drop any question that was inconvenient for them to respond to. Due care was taken to arrange the order of the questions on the themes based on the research questions, so that they would not be confused or mix the responses. The researcher was conscious of not asking leading questions to ensure that the respondents should be able to speak their mind independently. In addition, options were given to the respondents about not answering some sensitive questions like income or age types to be answered in terms of the 'range' and not in specific figures.

With regard to the training of the assistants to ensure inter-reliability, the researcher and his assistants ensured that the content of the questions were clear, short, not lengthy, one idea at a time and logically ordered. The assistants first read and evaluated the questions. As a result, the assistants familiarised themselves, and asked clear questions in a pleasant tone, but did read long sentences. The assistants ensured that the questions were complete and prepared based on the objectives and in line with the research questions. During the training, mock exercise sessions helped the research assistants to reframe the wording and language of the questions. In the training session, in-depth discussions were conducted on how to create a good rapport with the respondents. As the questions were structured along the same themes, some answers were obtained without even asking the next question. Hence, the assistants were advised not to ask a question once it was answered, unless there was something to probe.

Regarding how the data were checked and edited, the researcher gave a clear set of instructions to the assistants who collected the data and, at the same time, entered them on the computer. The most experienced crew were also responsible for the accuracy and active listening of the telephone communication with the interviewees. While entering the data, double checking was done first by the

assistants and then by the researcher and after that by the chief statistician. The main checking at the statistician level focused on the anomaly regarding the minimum and maximum figures.

In some cases, a follow up telephone call was made again to verify some of the responses of the participants. Despite all these efforts, there were missing data from some individuals due to interruptions during the telephone calls, a misunderstanding of the question, or maybe not being willing to respond to some questions.

4.9 CREDIBILITY, CONFIRMABILITY, AND TRANSFERABILITY IN THE QUALITATIVE PHASE

4.9.1 Credibility

Credibility, according to Portugal (2017), is established by the veracity of the information coming from reliable sources. Truth value aims to assess the researcher's level of assurance in the veracity of conclusions drawn from the study design, research participants, and setting (Ahmad & Ayub, 2019). The researcher chose the key informants with great care and triangulated all the findings of the study. In addition, the use of dual methods in this mixed methods study enhanced the integrity of the findings.

The degree to which the results may be applied to other contexts and situations or to different populations is referred to as applicability (Marshall & Cox, 2008). This criterion is satisfied in this study because the researcher thinks the results may be used in another situation where the informal economy could serve as a safety net against young unemployment.

Neutrality, as an aspect of credibility (Korstjens & Moser, 2018), was ensured by a careful analysis to allow the conclusions to be a true reflection of what the respondents had revealed, instead of them being influenced in any way by the researcher. Furthermore, the researcher did not exert any undue pressure on key informants to adopt a consensus viewpoint.

4.9.2 Transferability

According to Korstjens and Moser (2018), the researcher must gather "rich descriptive data" to ensure a “thick description” and detail every step of the research process, from data collecting through to the creation of the final report, to safeguard transferability. The steps taken to generate and analyse the data from this study are detailed in this chapter as an audit trail. In addition, mindful of generating a “thick description,” the researcher includes whole narratives in the two findings chapters (Chapters 5 and 6) to illustrate how particular factors that shape the informal sector played out in the lives of the key informants. Such detail, intersecting with the quantitative analysis in this mixed methods study, enables judgements to be made regarding the transferability of the findings to other milieus.

4.9.3 Dependability

Consistency is of critical importance for dependability (Korstjens & Moser, 2018). The researcher analysed the transcribed, recorded interviews carefully. Peers acted as auditors for the planning, ethical clearance, testing and analysis of the data to ensure trustworthy, dependable results. Triangulation between the quantitative and qualitative data in this mixed methods study further enhanced the persuasiveness of the conclusions.

4.9.4 Confirmability

Confirmability is concerned with the issue of the data's objectivity, although within the pragmatic paradigm, refers to acting in good faith (Korstjens & Moser, 2018). This study's interpretation was thus focused on the data's findings rather than the researcher's personal preferences and perspectives. Additionally, all the individual reflections on various occurrences were recorded and retained for any audit trail.

4.10 SYNTHESIS OF THE QUANTITATIVE AND THE QUALITATIVE DATA

A key concern in any mixed methods study was how to combine the data obtained from the two methods. Although the quantitative survey and the qualitative key informant interviews had divergent sampling strategies, instrument development processes, data gathering strategies and data analysis steps as outlined above, the findings from the KIIs were triangulated with the quantitative analysis to ensure that the analysis was robust, and provided a complete rendering of a complex phenomenon like youth unemployment and its links to both demographic factors and the formal-informal continuum in income generation (Lockyer, 2006; Silva & Wright, 2008).

In general, the findings from the KIIs corroborated the conclusions from the survey and suggested holistic narratives of key moments in the lives of people involved in the informal sector. In other words, whereas the survey could merely offer a static, cross-sectional view of the key dimensions of the research problem, the qualitative component of the study could explain the processes, context, vignettes from people's lives, and possible solutions. In this regard, Pernice (1996:348) in her mixed methods study of unemployment in New Zealand, concluded that *"*if only quantitative approaches are taken, our understanding of unemployment will not be deep enough to formulate effective solutions." In addition, the KII findings suggested possible avenues for further statistical investigations of associations between variables. Finally, the KIIs inspired a SWOT analysis of the potential of the informal sector to act as a safety net for youthful unemployment in Addis Ababa

and presented the researcher with two cases of organisations that followed particular paths for the linkages of the formal and informal sectors in order to offer contextualised examples for policy recommendations.

4.11 ETHICAL CONSIDERATIONS

The issues pertaining to the key ethical aspects of both the survey and KIIs, such as voluntary participation, informed consent, anonymity/ confidentiality, and the potential for harm were addressed for this study. All the participants and respondents provided the researcher with their informed consent. The participants were informed that they could halt the data collection at any moment. Due to the COVID-19 rules, it was not feasible to get written consent; instead, the responses of the quantitative survey participants were recorded over the telephone during the telephone interview, while some of the KII participants emailed their consent and responses. The rights of the participants regarding granting their permission to participate, to have their responses anonymised, and the handling of information were explained. This was communicated both before the interview was done and before the telephone interviews commenced.

The risks for participating in this research was so low as the study dealt with informal sector workers who were voluntarily recruited using approved informed consent procedures. The researcher took utmost care to closely observe all rules for academic integrity. Each data collector and statistician signed a confidentiality agreement. The researcher has also ensured that all records are kept confidential (i.e., materials are never left unattended and are secured when not being used). The researcher also ensured that the telephonic interview with each respondent was not overheard by any other person.

Additionally, UNISA officially approved the study before it was carried out (see Appendix A). In a similar manner, the Ethiopian government approved this study in writing (see Appendix B). Additionally, consultants and subject matter experts who

participated in the study in both the survey as well as KII, ensured that participant anonymity was maintained during the data gathering procedure, the data entry, and the analytic processes by requesting each of these persons to sign a confidentiality agreement (See Appendix F). In addition, all the sources used in this research including the published literature, papers, web sources, secondary data from government agencies, and other materials were cited properly. Additionally, the researcher had no competing interest that could interfere with his research.

The raw data of this study is stored on a password-protected laptop to which only the researcher has access. The contributors to this study were thanked for their assistance or participation. Moreover, utmost care was taken not to distort or misinterpret the information provided by the respondents.

4.12 CONCLUSION

Pragmatism is an appropriate paradigm for this study and enabled the researcher to combine quantitative and qualitative methodologies to provide an in-depth account of the research problem (Feilzer, 2010:8). The researcher was able to tackle the research objectives holistically by combining qualitative and quantitative approaches into one integrated design. The results from KIIs verified the conclusions from the survey.

Although a sample size of 384 respondents was intended for the quantitative study, the researcher collected data from 409 respondents using a descriptive survey. In addition, the researcher conducted telephone interviews with 22 individuals for the qualitative phase. Secondary data were also gathered online and from papers, journals, earlier research projects, official records, and other sources.

The researcher combined various spreadsheets and used SPSS software to analyse the coded data in both descriptive and inferential approaches. The

researcher took utmost care in ensuring validity, reliability, credibility, confirmability, and transferability of data in the qualitative and quantitative phases. When analysing or reporting, great care was taken to avoid distorting or incorrectly interpreting the data supplied by the respondents. The researcher followed the University of South Africa's guidelines for ethical research and obtained ethical approval by submitting the requisite paperwork.

CHAPTER 5: THE ROLE OF THE INFORMAL SECTOR AS A SAFETY NET FOR THE UNEMPLOYED YOUTH

5.1 INTRODUCTION

The findings of the main data analysis on the informal sector's function as a safety net for the unemployed youth are reported in this chapter. Statistics on the income and asset creation of jobless teenagers who enter the informal labour market are presented at the beginning of the chapter. In this regard, the researcher has examined the income and asset circumstances of the employees in the informal sector both before and after their entry into their businesses.

The chapter includes information on the informal sector workers' access to food both before and after they joined or started their businesses. Moreover, this primary data analysis looks at the role of the informal sector in influencing the dependency ratio at the household level through changes observed in key demographic variables, such as migration, household size, age, sex, ethnicity, and level of education. The chapter ends with analysing the data on the role of the informal sector in improving the education and skills of the workers in Addis Ababa.

5.2 INCOME CREATION AND ASSET BUILDING: THE ROLE OF THE INFORMAL SECTOR

The informal sector has contributed to the economy in asset creation and income generation. This is shown by comparing the income of informal sector business owners before and after their current ventures, the change in the value of productive assets, and total hectares of land before and after participation in the informal sector.

5.2.1 Income from the informal economy

The quantitative data revealed that 99.0% of the respondents' revenue came from informal sources only. This is understandable given that people engaged in the informal sector were the target of the sampling strategy.

TABLE 5.1: FREQUENCY AND PERCENTAGE DISTRIBUTION OF PARTICIPATION IN THE INFORMAL SECTOR

Do you participate in the Informal Sector?	Frequency	%
Yes	405	99
No(Rarely Participate)	2	0.5
Total	407	99.5
No response	2	0.5
Total	409	100

Source: Field Data (2021)

As can be seen in Table 5.1, almost all the households in the sample rely on conducting unregistered, partially registered, or registered businesses as their primary source of livelihood. The two respondents who did not rely on the informal sector received their incomes from other sources. However, they also engaged in the business as a means of obtaining an additional income. In Table 5.2, it is shown that the service sector accounted for 36.9% of the respondents, followed by trade and production at 31.4% and 31.4% respectively.

TABLE 5.2: FREQUENCY AND PERCENTAGE DISTRIBUTION OF TYPE OF INFORMAL SECTOR OPERATED

		Frequency	**%**
Trade		129	31.4
Production		129	31.4
Services		149	36.7
Total		407	99.5
No response		2	0.5
Total		409	100.0

Source: Field Data (2021)

The money that these informal sector workers earned allowed the young people to support their households, care for themselves, buy what they wanted and even saved or invested. Economic expansion results from this and raises living standards.

5.2.2 Informal sector business owners' incomes before their current ventures

According to Table 5.3, 65.6% of the 172 workers in the regulated informal sector stated that they currently employed more people than they did when they originally opened their businesses. Comparatively, 54.4% of the non-regulated employees reported a rise in the number of staff members in the business.

TABLE 5.3: FREQUENCY AND PERCENTAGE DISTRIBUTION OF THE CHANGE IN THE NUMBER OF EMPLOYEES SINCE THE LAUNCH OF THE BUSINESS

Do you now employ more or fewer people than when you started the business?	Type of business		Total
	Regulated	Non-regulated	
More employees	113 (65.6%)	129 (54.4%)	242 (59.2%)
Fewer employees	18 (10.5%)	23 (9.7%)	41 (10.0%)
No difference	41 (23.8%)	85 (35.9%)	126 (30.8%)
Total	172 (100.0%) *	237 (100.0%)	409 (100.0)

*Source: Field Data (2021) * Rounding errors account for sum below 100%.*

The KIIs have confirmed that even though there has been a change in the number of workers employed in the informal sector, this does not mean that the informal sector of the city is structured in a way that allows for a larger percentage of the labour force to contribute to the city's economic and social development. This is because most of these informal businesses tend to employ household members only. In addition, the types of informal businesses were rather standard, and did not provide much scope for creativity in order to assist a sizeable proportion of

young unemployed people in the city, mainly because these businesses rely on low level skills and only enable low earnings.

The survey also gathered data on the informal sector workers' mean monthly salary levels both before and after they joined the sector. Table 5.4 shows that before entering the sector, operators in the informal sector earned an average monthly income of 810 Birr[1] (16 US$). Prior to entering the informal sector, the first income quartile for each household was as low as US$4. The group, as a whole, had a mean household size of almost three. The researcher divided the mean household size by the average annual income to obtain the per capita income of the study's sample household, which came to US$ 64 per person per year. This equates to 0.18 US$ per day per person, and Table 5.4 illustrates that practically all of them were living below the poverty level set by the World Bank at 1.90 US$ per day per person.

Additionally, the respondents were questioned about their ability to save money given their modest incomes. Since the informal sector workers' incomes were so low, practically no one saved money, either in the bank or in any other way. The KIIs demonstrated that the low level of household incomes, high unemployment rates, on-going food insecurity, the growing costs of food and essential non-food goods reduced the poor's ability to save. In essence, the average household could not afford to eat because of the household income.

[1] Birr is the name of Ethiopian Currency, which is in the existing foreign exchange rate $1 U.S. D is equivalent to 50 Birr.

TABLE 5.4: PERCENTAGE DISTRIBUTION OF THE HOUSEHOLDS' MONTHLY INCOMES RELATIVE TO THE POVERTY LINE, AS A PERCENTAGE (RATIO OF INCOME TO THRESHOLD)

Ratio of income to poverty line (of HH)	Total (%)
<0.50	403 (98.5%)
0.51-0.75	6 (1.5%)
0.76-1.00	0.0
>1.00	0.0
Number of cases	409 (100%)

Source: Field Data (2021)

Therefore, it is reasonable to deduce that the earning status of informal sector workers was extraordinarily low before they joined the business with respect to the absolute poverty line. The growth in the GDP of the country was not able to trickle down to the individual level. The economic benefits of the demographic dividend are hence, not yet observed in the form of increases in the per capita income. Table 5.5 shows the income level of the study participants before and after joining the informal sector.

TABLE 5.5: MEASURES OF CENTRALITY FOR MONTHLY INCOMES BEFORE AND AFTER JOINING THE INFORMAL SECTOR (BIRR) (N=409)

Statistics		Income prior to working in the informal sector	Income after joining the informal sector	Income after regulated
Mean		810.2	2,138	5,347.3
Median		500	1,687	6,000
Minimum		50	250	230
Maximum		3,000	8,900	15,000
Percentiles	25	200	700	900
	50	500	1,687	6,000
	75	1,400	3,583.5	7,856.3

Source: Field Data (2021)

5.2.3 Income after joining the informal sector

The average income derived from the informal sector was about 2,138 Birr (42.7 US$) per month per household, which is 14.2 Birr per person considering the average household size of three. Hence, the daily per capita income of a person was 0.47 US$ per person per day. Although there was a change after the young people joined the informal sector, when compared with the required absolute poverty line which is 1.9 US$ per day, it was 75% lower. For the non-regulated informal sector group, a few people were within the third and fourth quartiles.

Even if the income is still insufficient, the researcher concludes that since entering the unregulated informal sector, incomes have increased. The rise is 2.6 times more than what they were earning before they entered the informal economy. Some of the non-regulated respondents within the third and fourth quartiles earn a high income of up to 8,900 Birr per month per household.

Furthermore, the income of the regulated informal sector workers was higher than that of both categories discussed above. The average per capita monthly income per household was 5,347.3 Birr (107 US$) varying from a maximum of 15,000.0 Birr to a minimum of 230 Birr. The first quartile of the regulated informal sector got only 900 Birr, the second quartile 6,000 and the third got 7,856.3 Birr.

In general, 50% of the households earned more than 6,000 Birr per household. The daily per capita income per person for the regulated informal sector was 1.2 US$. This was less than the recommended average of 1.9 earned by 36% although there were persons who received an income of up to above 15,000 Birr per month. Furthermore, as shown in Table 5.6, the respondents were asked whether their income had changed after they joined the informal sector. About 66.5% of the respondents from the regulated and 62% of non-regulated categories reported that their income had increased after joining the informal sector. In addition, 19.1% of the regulated and 7.6% non-regulated sectors reported that their incomes decreased after joining the sector; and 14.4% of the regulated and 30.4% of the non-regulated sectors stated that their incomes had stayed the same.

TABLE 5.6: FREQUENCY AND PERCENTAGE DISTRIBUTION OF THE CHANGE IN HOUSEHOLDS' MONTHLY INCOMES AFTER ENTRY INTO THE INFORMAL SECTOR

Type of business	Type of change	Frequency	%
Regulated	Increased	115	66.5
	Decreased	34	19.1
	Stayed the same	22	14.4
	Total	171*	100.0
Non-regulated	Increased	147	62.0
	Decreased	18	7.6
	Stayed the same	72	30.4
	Total	237	100.0

*Source: Field Data (2021) * 1 non-response*

Further analysis of the informal sector employees' earnings was done using a t - test. As shown in Table 5.7, the mean income earned by the jobless youth before they entered the informal sector and the mean income after they entered the sector, varied considerably.

TABLE 5.7: PAIRED SAMPLES TEST OF INCOME

		Paired differences					**T**	**df**	**Sig. (2-tailed)**
		Mean	**Std. deviation**	**Std. error mean**	**95% Confidence interval of the difference**				
					Lower	**Upper**			
Pair 1	Current income before joining the Informal sector	2,054	2,008.2	99.3	1,858.7	2,249.1	20.7	408	0.00

*Source: Field Data (2021) * one non-response*

This implies that informal activities yielded returns for the unemployed youth as there was a significant difference between the current income and income before the starting of the informal sector. Furthermore, according to Table 5.8, 37.8% of the regulated informal sector workers earned less than 5,000 Birr, 56.4% earned between 5,000 and 10,000 Birr, and 5.8% earned more than 10,000. On the other hand, 97.5% of the non-regulated workers received below 5000 and only 2.5% received above 5,000 Birr.

TABLE 5.8: FREQUENCY AND PERCENTAGE DISTRIBUTION OF GROUPED INCOME CATEGORIES

Type of business and income category		Frequency	%
Regulated	1,000-5,000 Birr	65	37.8 56.4 5.8 100.0
	5,001-10,000 Birr	97	
	above 10,000 Birr	10	
	Total	172	
Non-regulated	1,000-5,000 Birr	231	97.5 2.5 100.0
	5,001-10,000 Birr	6	
	Total	237	

Source: Field Data (2021)

The general observation from the data is that the income of the informal sector workers increases after joining the informal sector – for the non-regulated businesses and even more so, for the regulated businesses. However, there was a significant mean difference of income between the regulated and non-regulated informal sector groups. The cross-tabulated results in Table 5.8 shows that the modal value of the regulated group lay between 5,000 to 10,000 Birr per month and was between 1,000 to 5,000 for the non-regulated group. Another test of association was conducted between the growth in household income and whether the informal activity was regulated or unregulated based on Pearson's chi-square and likelihood ratio tests (see Table 5.9).

TABLE 5.9: HOUSEHOLD INCOME AND STATUS OF REGULATION: CHI-SQUARE TESTS OF ASSOCIATION

	Value	df	Asymptotic Significance
Pearson Chi-Square	177.649[a]	2	.000
Likelihood Ratio	199.236	2	.000
Linear-by-Linear Association	164.528	1	.000
N of Valid Cases	409		

[a] *1 cell (16.7%) have an expected count < 5. The minimum expected count is 4.21.*
Source: Field Data (2021)

The chi-square and likelihood ratio statistics for both tests were statistically significant (p-value = 0.002) and were 12.719 and 12.664 respectively. The result implies that there is a strong association between growth in income and the status of the business (that is, whether it is regulated or not). This seems to suggest that regulation of the informal sector for the unemployed young people was a crucial factor for growth in the business or profitability.

As can be seen from the analysis above, it appears that the informal sector was acting as a useful – but insufficient – safety net for young people who were unemployed. Therefore, it can be claimed that the informal sector economy has the potential to raise household income in urban areas as well as the per capita income. However, the COVID-19 epidemic recently had a significant impact on the informal sector's revenue, and the above-mentioned conclusions were made before the pandemic's full effects were seen across the society.

NARRATIVE OF KEY INFORMANT 5.1: MISS MS

MS was born in 1999 in Addis Ababa. Her father abandoned her mother, her brother and herself when she was a little girl and their mother raised MS and her

brother by working in the non-regulated informal sector, specifically by selling roasted grain, known as “Kollo.” Both children were unable to attend school due to their mother’s inability to afford it.

MS got married in 2016 and started selling local bread and attending evening school and completed Grade 4. MS’s husband works as a daily labourer earning about 1000 Birr a month. They have two children, of which one is currently in school. Prior to joining the regulated informal sector, she ran a small business selling home-baked bread.

In 2018 the government regulated her informal business and she immediately saved 1000 Birr and attended training in basic business skills, and in health and human rights. Miss MS explained:

> *‘I learned about savings, time and money management, customer handling and how to take care of my health.”*

Following her training, and within two months after she had joined the MSE cooperative, she took a first cycle loan of 5,000 Birr to expand her local bread and charcoal sale businesses. The city government provided her with the working premises called a “common shade” and also linked her to a college to enable her to supply 200 injeras a day to a students’ café.

At the start of 2021, MS had daily sales of 2,000 Birr. She expanded her business to include injera and bean soup (locally called ‘Beyeaynet’), bread, and charcoal and her daily sales have reached 2,500 Birr. She regularly saves 550 Birr per week and has a total savings of 20,000 Birr. She also repays 1,500 Birr monthly for her loan. She lives with her household in a rented two-room house for which they pay 3,000 Birr a month. Her long-term plan is to own their own house and to open a restaurant.

The narrative above clearly corroborates the quantitative findings that showed that the income of informal sector workers increases after joining the informal sector. As reported above, the income and living conditions of Miss MS were improved. significantly.

5.2.4 The change in the value of productive assets

In the survey. the shift in people's livelihoods was assessed by possession of productive assets in addition to how much money they were making. About 26 different types of productive assets were included in the questionnaire's list of productive assets, all of which were essential for households that were already involved in a variety of service and manufacturing activities. For instance, hand tools are crucial for masons, carpenters, tailors, plumbers, and repair and maintenance workers. Even if these households have the necessary skills and expertise, the lack of such productive tools restricts their ability to find work and generate a revenue.

Table 5.10 reveals that the average asset worth of the respondents was only 843.23 Birr when they began working in the informal sector. The value of their assets had increased to roughly 6000 Birr at the time the data were collected. This suggests that after engaging in the informal business, the average productive asset increased by a factor of more than six. The calculated change in the mean value was around 86%.

TABLE 5.10: MEAN VALUE OF THE INFORMAL SECTOR'S PRODUCTIVE ASSETS (IN BIRR) PRIOR TO AND DURING THE SURVEY

	N	Range	Minimum	Maximum	Mean	Std. Deviation
What are the current market values of your producing assets?	409	24,000	1,000	25,000	5,998.8	3,258.6

	N	Range	Minimum	Maximum	Mean	Std. Deviation
How much did your productive assets cost when you originally started your business?	409	12,000	0	12,000	843.23	740.4

Source: Field Data (2021)

When attributing changes to businesses in the informal sector, extreme caution should be exercised because the net effect is not evaluated clearly. It means that although the changes observed in the livelihoods of the informal sector were real, it is not reasonable to attribute the entire change to the influence of the informal sector only, because we did not calculate the net effect. For instance, this study did not have a control and an experimental sample to compare. However, one can gain a reasonable impression of the contribution of the informal sector after the respondents' entry into the businesses and, hence, indirectly deduce its safety net role for the unemployed youth.

5.2.5 Total hectares of land before and after participation in the informal sector

As part of evaluating the respondents' fixed assets, this researcher also asked questions about the change in the ownership of land as a productive asset. Workers in the informal sector frequently used remittances from the informal sector to purchase land back where they had originally resided. As shown in Table 5.11, the total land holding of the parents of the informal sector workers changed, showing that the average size of households' total land grew from 0.388 hectares before migration to 0.547 hectares after migration. This shows that the average amount of land owned by households grew by 41%. As a result, by investing in permanent assets, informal sector workers are building the groundwork for improved lives at the final destinations where they have settled after migration.

TABLE 5.11: MEAN HECTARES OF LAND THAT THE PARENTS HELD PRIOR TO AND DURING THE SURVEY

	N	Range	Minimum	Maximum	Mean	Std. Deviation
How many hectares of land do your parents now own in total?	408	9.7	0	9.7	0.5467	0.6726
How many hectares of land did your parents own in total?	405	2	0	2	0.3881	0.4358

Source: Field Data (2021)

5.3 THE INFORMAL SECTOR'S CONTRIBUTION TO FOOD SECURITY

The engagement in informal sector positively leads to improvement in livelihood condition as well as food security status. This is verified by comparing pre and post informal sector joining periods. The section below clearly shows these findings.

5.3.1 Food security status before joining the informal sector

The informal sector, which creates jobs, lowers unemployment, boosts economic activity, and helps alleviate poverty with some capital investment, is thought to have a significant impact on the food security of the households (Selesh, 2018). Research and information concerning this sector's contribution to improving food security and lowering vulnerability are, nevertheless, scarce. The researcher has examined the food security status of the respondents both before and after they joined the sector to comprehend these dynamics. Table 5.12 displays the various food security indexes.

About 88% of the respondents stated that they had severe food shortages prior to entering the informal economy. According to KIIs, the most serious socioeconomic issue for the majority of them was a lack of food owing to a high unemployment rate, a lack of a reliable source of cash income, a lack of social safety net programmes, rising household sizes, and rising food costs.

TABLE 5.12: AVERAGE MEALS PER DAY, FOOD SELF-RELIANCE, AND PERCENTAGE OF HOUSEHOLDS BY FOOD SECURITY MEASURES

Percentage distribution of type of food shortage (N=409)	**%**
Chronic	54
Temporary	46
Total (N=409)	100
Households who faced critical food shortages a year before joining the informal sector (% N=409)	88.1
Increasing shortages	88.3
Decreasing shortages	6.6
No change	5.1
Total (N=409)	100
Mean food self-reliance period (adequacy) in months N=409	6.2
Mean number of meals per day in food secure periods. N=409	2.1
Mean number of meals per day in food insecure periods. N= 409	1.5
0-3 months	30.7
4-6 months	23.2
7-9 months	14.4
9-12 months	31.7
Total (N=409)	100

Source: Field Data (2021)

The number of meals consumed per day throughout periods of food security and insecurity served as an indicator of access to food. During periods of food security, families typically ate 2.1 meals per day, compared to just 1.5 during times of food insecurity. Table 5.12 shows that the average food self-reliance period was only

6.2 months in a year. About 30.7% of the households were able to fulfil their food needs for less than four months, 23.2% for four to six months, and 14.4% for seven to nine months.

The food self-sufficient households (those who can fulfil their food needs disregarding the nutrition aspect for 9 to 12 months a year), accounted only for 31.7% of the sample. For 54% of the households, the food security was chronic without any improvement from year to year. Temporary food shortages were a problem of 46% of the sampled households.

5.3.2 Food security status after joining the informal sector

According to the survey's findings, the respondents' household food security has significantly changed after they entered the informal sector. According to Table 5.13, food security has increased for 63.1% of young people working in the sector.

TABLE 5.13: FREQUENCY AND PERCENTAGE DISTRIBUTION OF INCREASE IN ACCESS TO FOOD AFTER JOINING THE INFORMAL SECTOR

	Frequency	**%**
Food security is worse	105	25.5
Food security is better than before	255	62.0
No change	35	8.5
Don't know or no answer	7	2.2
Missing	7	1.8
Total	409	100.0

Source Field Data (2021)

Nearly a quarter of the respondents, however, claimed that their circumstances had become worse while working in the informal sector. The KIIs also indicated that while they previously had easy access to food from their parents, they now had to work hard to earn a living and had to eat less than they had before.

Furthermore, respondents were asked whether they faced a money shortage to buy additional food items after joining the informal sector. As shown in Table 5.14, nearly 85.5% of the regulated and 55% of the non-regulated respondents did not face money shortages to buy food, while 32% of the respondents reportedly faced money shortages for food purchases in the 12 months preceding the survey.

TABLE 5.14: FREQUENCY AND PERCENTAGE DISTRIBUTION OF THE AMOUNT OF MONEY NEEDED TO BUY FOOD IN THE LAST 12 MONTHS

Did the food you purchased in the last 12 months not last, and did you lack the funds to purchase more?			
Type of business		**Frequency**	**%**
Regulated	Yes	25	14.5
	No	143	85.5
	Total	168*	100.0
Non-regulated	Yes	102	45.0
	No	130	54.9
	Total	232**	99.9

*Source: Field Data (2021) * 4 non-responses ** 5 non-responses.*

However, the survey's findings demonstrate that there are differences in the ability to access food depending on a number of factors, including ethnicity, whether or not the business was regulated, and the presence of dependent children in the household. Table 5.15 shows the data disaggregated by the type of informal

business, and that around 36% of the workers in the unregulated informal sector stated that food security was poorer, whereas only 12% of the workers in the regulated informal sector made the same claim. As depicted in Table 5.15, approximately 80% of the respondents who worked in the regulated informal sector agreed that doing so gave them access to better food security than they had before. Similarly, more than 52% of the respondents from the unregulated informal sector confirmed that their level of food security was higher than it was in the past.

TABLE 5.15: FREQUENCY AND PERCENTAGE DISTRIBUTION OF IMPROVEMENT IN THE FOOD SITUATIONS OF HOUSEHOLDS BY TYPE OF INFORMAL BUSINESS

	Regulated	**Non-regulated**	**Total**
Food security has declined	21 (12%)	84 (36%)	105
Food security has improved than before	135 (79.5%)	120 (52%)	255
No change	8 (5%)	27 (12%)	35
Don’t know or refused	6.5 (4%)	2 (1%)	9
Total	171 (100%)	233 (100%)	404*

*Source: Field Data (2021) * 5 missing*

In addition, a chi-square test was conducted between the status of business and the experience of food insecurity in terms of the number of meals consumed per day. Table 5.16 shows that the association between the two variables was statistically significant for both the Pearson chi-square and the likelihood ratio tests (p-value=0.000). It implies that experience of food security was highly associated with the status of regulation of the informal activity.

TABLE 5.16: CHI-SQUARE TESTS OF SIGNIFICANCE OF FOOD SECURITY BY TYPE OF BUSINESS

	Value	df	Asymptotic significance (2-sided)
Pearson Chi-Square	43.279[a]	3	.000
Likelihood ratio	45.641	3	.000
Linear-by-linear Association	12.779	1	.000
No. of valid cases	404		

[a] *1 cell (12.5%) have expected count less than 5. The minimum expected count is 3.81.*

*Source: Field Data (2021) * 5 missing*

Therefore, it is reasonable to conclude that the regulation of an informal activity has an impact on the household's food security for young people. The largest proportion of the respondents in the regulated category who stated that their food security was "worse," were from the Wolaita ethnic group, while the least number were from the Amhara, as shown in Table 5.17.

TABLE 5.17: FREQUENCY AND PERCENTAGE DISTRIBUTION OF FOOD SECURITY STATUS CHANGES AFTER JOINING THE INFORMAL SECTOR BY ETHNIC GROUP

Ethnicity	Regulated				Non-regulated			
	Worse	Better than	No change	Total	Worse	Better than	No change	Total
Amhara	2 (10%)	42 (39%)	2 (25%)	46 (27%)	24 (28%)	27 (23%)	10 (37%)	61 (26%)
Oromo	4 (19%)	41 (29%	3 (38%)	48 (28%)	11 (13%)	12 (10%)	0	23 (10%)
Gurage	0 (0%)	29 (20%)	0 (0%)	29 (17%)	9 (11%)	21 (18%)	0	30 (13%)

Ethnicity	Regulated				Non-regulated			
	Worse	Better than	No change	Total	Worse	Better than	No change	Total
Tigray	5 (24%)	20 (14%)	1 (13%)	26 (15%)	5 (6%)	15 (13%)	0	20 (9%)
Wolaita	9 (43%)	4 (3%)	2 (25%)	15 (9%)	27 (32%)	43 (36%)	15 (56%)	85 (36%)
Others	1 (6%)	6 (4%)	0 (0%)	7 (4%)	8 (10%)	2 (2%)	2 (7%)	14 (6%)
Total	21 (100%)	142 (100%)	8 (100%)	171 (100%)	84 (100%)	120 (100%)	27 (100%)	233 (100%) *

*Source: Field Data (2021) *Five missing*

In contrast, the majority of the respondents who said that the situation with regard to their food security was "better than previously" were the Amhara and Oromo, with the Wolaita, being the least likely to agree. Additionally, the Wolaita were the group least likely to think that the situation was worse among those in the non-regulated category, while the Tigray were the group most likely to claim that it was. Moreover, the frequency of food deficient periods, as indicated in Table 5.18 for the different ethnic groups, also confirms the same trend as explained above.

TABLE 5.18: FREQUENCY AND PERCENTAGE DISTRIBUTION OF FOOD DEFICIENT SITUATIONS BY ETHNIC GROUP

		Ethnicity						Total
		Amhara	Oromo	Gurage	Tigray	Wolaita	Other	
If the food situation in your household deficient how frequent was it?	Often	20 (20%)	11 (17%)	1 (2%)	4 (10%)	29 (31%)	3 (16%)	68
	Sometimes	48 (49%)	24 (38%)	25 (53%)	22 (52%)	58 (62%)	12 (63%)	189
	Never	30 (31%)	19 (30%)	17 (36%)	12 (29%)	6 (6%)	4 (21%)	88
	Do not know	0	10 (16%)	4 (9%)	4 (10%)	0	0	18

	Ethnicity						Total
	Amhara	Oromo	Gurage	Tigray	Wolaita	Other	
Total	98 (100%)	64 (100%)	47 (100%)	42 (100%)	93 (100%)	19 (100%)	363*

*Source: Field Data (2021) Non-responses and missing *46*

According to Table 5.18, 31% of the Amhara, 30% of the Oromo, 36% of the Gurage, 29% of the Tigray, 6% of the Wolaita, and 21% of other people never experienced a year of food scarcity. Similarly, food shortages affect 20%, 17%, 2%, 10%, 31%, 16% of the Amhara, Oromo, Gurage, Tigray, and other groups, respectively.

As can be observed in Table 5.19, there is an ethnic bias in the distribution of the food deficit condition in the research region, with certain ethnic groups being more afflicted than others.

TABLE 5.19: CHI-SQUARE TESTS OF THE ASSOCIATION BETWEEN THE FOOD SECURITY SITUATION AT HOUSEHOLD LEVEL AND ETHNICITY

	Value	df	Asymptotic significance (2-sided)
Pearson Chi-Square	67.760[a]	15	.000
Likelihood ratio	80.318	15	.000
Linear-by-linear association	9.874	1	.002
No. of valid cases	363		

[a] 8 cells (33.3%) have expected count <5. The minimum expected count is .94.

*Source: Field Data (2021) * 37 missing*

Likewise, the researcher tested the food security situation of informal sector workers with respect to their number of dependents at household level.

TABLE 5.20: FREQUENCY AND PERCENTAGE DISTRIBUTION OF CURRENT NUMBER OF CHILDREN AND EATING FEWER MEALS IN A DAY

		Did you or any other household member have to skip meals during the last four weeks due to a lack of food?		Total
		Yes	No	
No. of children	0	84 (61%)	54 (39%)	138 (100%)
	1	53 (42%)	74 (58%)	127 (100%)
	2	31 (44%)	40 (56%)	71 (100%)
	3	17 (74%)	6 (26%)	23 (100%)
	4	24 (80%)	6 (20%)	30 (100%)
	5	4 (80%)	1 (20%)	5
Total		213 (54%)	181 (46%)	394* (100%)

*Source: Field Data (2021) * 15 Missing*

As shown in Table 5.20, in the four weeks before the survey, 54% of the households faced food shortages and ate fewer meals in a day. Out of those who faced food shortages, 63% were respondents who had one child or less and 35% were households with two to five children.

Moreover, the ANOVA test result of the association between the number of dependent children at household level *vis-à-vis* the food security situation returned a strong association at the significance level of p below 0.05 as shown in Table 5.21.

TABLE 5.21: ANOVA TEST OF THE ASSOCIATION BETWEEN THE FOOD SITUATION AND THE NUMBER OF CHILDREN IN THE HOUSEHOLD

	Sum of Squares	df	Mean Square	F	Sig.
Between groups	22.411	5	4.482	12.144	.000
Within groups	146.896	398	.369		
Total	169.307	403			

Source: Field Data (2021)

This association is elucidated by comparing the groups using the Tukey HSD test, which showed that the households with two to four children are more affected by the food security situation than others (see Table 5.22).

TABLE 5.22: TUKEY HSD MULTIPLE COMPARISONS FOR THE NUMBER OF DEPENDENTS AT HOUSEHOLD LEVEL AND THEIR FOOD SECURITY STATUS

Number of children			Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
Tukey HSD	0	1	0.094	0.074	0.795	-0.12	0.31
		2	.438*	0.089	0	0.18	0.69
		3	.637*	0.137	0	0.25	1.03
		4	.666*	0.119	0	0.32	1.01
		5	0.239	0.253	0.935	-0.49	0.96

** The mean difference is significant at the 0.05 level*

Source: Field Data (2021)

As shown in Tables 5.21 and 5.22, the results demonstrate a substantial correlation between the two variables, suggesting that the coping mechanism used by families is related to the number of dependent children living in the household. The direction of the relationship is negative, as shown in Table 5.23, which states that the households have fewer meals per day as a coping mechanism if they have more dependent children.

TABLE 5.23: MEASURE OF ASSOCIATION BETWEEN THE NUMBER OF CHILDREN AND THE FOOD SHORTAGE COPING STRATEGY AT HOUSEHOLD LEVEL

		Value	Asymptotic Standardized Error	Approximate T[b]	Approximate Significance
Interval by Interval	Pearson's R	-.077	.046	-1.527	.128[c]
Ordinal by Ordinal	Spearman Correlation	-.009	.050	-.170	.865[c]
	No. of Valid Cases	394			

[a] Not assuming the null hypothesis.
[b] Using the asymptotic standard error assuming the null hypothesis.
Source: Author (2022)

NARRATIVE OF KEY INFORMANT 5.2 MR AB

Mr AB is 28 years old, a young informal sector worker in Addis Ababa, originally from the Amhara Region. This KII comes from a large household of ten people who earn a livelihood as rural farmers in a village called Alem Ketema. As the population pressure is high in the area, the plot sizes are exceedingly small. The household is extremely poor and their food insecurity so bad, that he remembers often having only one meal a day. He was forced to drop out of school after attaining Grade 5 and migrated to Addis Ababa at the age of 19. He started working for different construction businesses as a daily labourer. He learned from the building sites how to do carpentry and worked on a series of road and housing construction projects as both an assistant surveyor and a carpenter. In these jobs he earned 250 Birr a day. By working for a large housing project, his income increased to 450 Birr per day. He reported how his improved income enabled him to afford a better diet that included meat, milk, and other proteins. He also remits 1000 Birr per month to his household to purchase food and other basic necessities.

In the above narrative, the KI confirmed that before he migrated to Addis Ababa, he could often only eat one meal a day in a large family of over ten people.

However, after joining the informal sector his food security improved and he earned a better income in Addis Ababa. This case suggests that food security has a strong link with the number of dependent children living in the household.

5.4 THE DEPENDENCY RATIO AT HOUSEHOLD LEVEL

The researcher gathered data on demographic factors including the number of children under the age of five, migration status, age, gender, and socioeconomic characteristics in order to study the dependence ratio at the household level.

5.4.1 Engagement in informal sector business and migration status

More than three-quarters of those surveyed in the research were non-Addis Ababa natives who migrated to the city in pursuit of work in the informal sector or better prospects. The KII participants stated that if these young people had not worked in the informal sector, they would not have left their parents' house until they were in their 30s and would have been an even greater burden on their households at the time when they should have been earning their own keep.

TABLE 5.24: FREQUENCY AND PERCENTAGE DISTRIBUTION OF THE MIGRATION STATUS OF THE RESPONDENTS

Are you migrant from out of Addis Ababa?		**Frequency**	**%**
Valid	Yes	315	76.6
	No	92	22.9
	Total	407	99.5
Missing	No response	2	0.5
Total		409	100

Source: Field Data (2021)

Many people aged between 12 and 18 years began working in the informal sector. The KII discussions revealed that the rising proportions of young people in the population, the formal economy's low carrying capacity, the scarcity and declining

productivity of rural land, the rising economic disadvantage of women, the high dependency ratio, social injustices, and poverty were the main motivators for participation in the informal sector.

5.4.2 Engagement in the informal sector and ethnicity

The largest proportion of the respondents (40%) who were involved in informal businesses were from the SNNPR area, primarily from the Wolaita (25.3%) and the Gurage (14.5%). Amhara (26.5%), followed by Oromia (17.7%), and Tigray (10.8%).

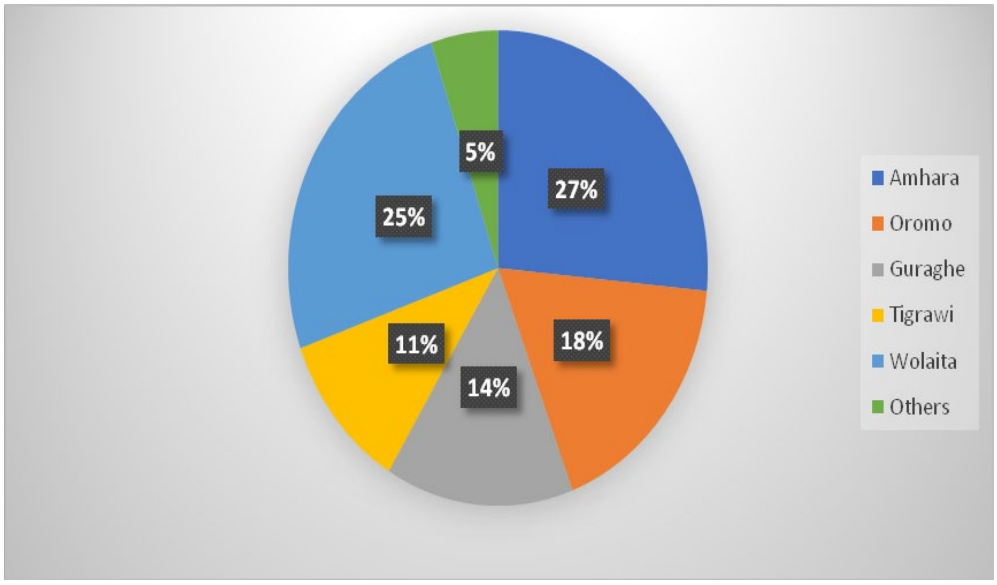

Figure 5.1: Regulated and non-regulated informal sector business status by ethnicity (n=409)

Source: Field Data (2021)

Figure 5.1 shows that the Amhara people make up one in five regulated respondents, whereas people from Oromo make up one in three. However, Wolaita people constitute about 37% of the non-regulated sector. This is related to population pressures as well as the lack of land for agriculture in the place of origin.

According to the chi-square analysis in Table 5.25, there is a statistically significant association between the extent of land ownership before migration and the ethnicity of the young people who relocated to Addis Ababa.

TABLE 5.25: CHI-SQUARE RESULT FOR THE ASSOCIATION BETWEEN THE SIZE OF LAND OWNED BEFORE MIGRATION AND THE ETHNICITY OF YOUTH WHO MIGRATED TO ADDIS ABABA

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	222.764[a]	85	.000
Likelihood Ratio	227.989	85	.000
Linear-by-Linear Association	2.984	1	.084
No. of valid cases	405		

77 cells (71.3%) have expected count less than 5. The minimum expected count is .05.
Source: Field Data (2021)

5.4.3 Household size, age, gender, and number of children

This study revealed that 43.2% of the respondents in informal businesses were married, while 45.5% had never been married. The survey found that 52.8% of the respondents who were involved in informal businesses were heads of households or spouses, while 48.2% of those who only had one household member (the respondent himself or herself) involved in an informal business.

The KIIs indicated that religion played a significant role in shaping people's desires for big families. Accordingly, 39.8% of the respondents in the survey identified as Orthodox Christians, 33.7% as Protestants, 22.7% as Muslims, and 3.9% as members of other kinds of unspecified religious groups. According to the statistics, the majority of actors in the informal sector belonged to the two main Christian sects, with Orthodox believers making up the majority in the city, followed by Protestants. More than 85% of the respondents who engaged in informal

businesses revealed that the number of children in households with businesses ranged from none to two, while 15% had three to five children.

TABLE 5.26: FREQUENCY AND PERCENTAGE DISTRIBUTION OF THE NUMBER OF CHILDREN IN HOUSEHOLDS ENGAGED IN INFORMAL BUSINESSES

REGULATED			**NON-REGULATED**	
Children working in the business	**Frequency**	**%**	**Frequency**	**%**
None	40	23.4	101	42.6
1	69	40.4	64	27
2	35	20.5	38	16
3	9	5.3	14	5.9
4	15	8.8	17	7.2
5	3	1.8	3	1.3
Total	171	100	237	100

Source: Field Data (2021)

The number of children at the household level does not differ significantly between the regulated and non-regulated categories. According to the frequency analysis in Table 5.26, 34.6% of the respondents were childless, possibly suggesting that young people were delaying marriage and childbearing. According to Table 5.27, 65.6% of respondents who were involved in informal business were under the age of 23 years. A little over 33% of people were under the age of 18 years, while 32.2% were between the ages of 21 and 23 years.

TABLE 5.27: FREQUENCY AND PERCENTAGE DISTRIBUTION OF THE AGE GROUPS OF THE RESPONDENTS

Age in group	Frequency	%
18-20	136	33.4
21-23	131	32.2
24-26	110	27.0
27-29	30	7.4
Total	407*	100.0

*Source: Field Data (2021) *2 non-responses*

With a minimum age of 18 years and a maximum age of 28 years, the respondents' average age was 22 years, with a standard deviation of 2.75 years.

TABLE 5.28: THE MEAN NUMBER OF CHILDREN AND MEAN AGES

	N	Minimum	Maximum	Mean	Std. Deviation
Age	408	18	28	22.25	2.752
Children	408	0	5	1.24	1.280

*Source: Field Data (2021) * There are three missing values.*

The average number of children per worker in Addis Ababa's informal sector was 1.24, which was extremely low when compared to the general population. The median age at the first birth for women between the ages of 25 and 49 years, compared to the county's overall population, was 17.1 years (Dewau, Mekonnen & Seretew, 2021). This indicates that before the age of 18, half of the women in the 25 to 49 age range gave birth for the first time. However, with an average age of 22 years, the difference was noteworthy and suggests delays in childbearing for the sample.

The qualitative analysis revealed that the age of the informal sector correlated with the kind of activities that the employees engaged in. For instance, most young males aged between 18 and 25 were mainly involved in the shoe shining, hauling services, carting or material carrying businesses and production businesses, all of which needed physical strength. The KIIs also showed that men with college

qualifications worked in the manufacturing and service sectors of the informal economy, such as construction, welding, furniture making, clothing, and sales. Young women worked in domestic service, the food and coffee/tea production and sales, trade in fresh produce and perishable items, jewellery sales, clothing, and packaged industrial goods. Older women and widows frequently participated in small-scale trades like selling spices and cooked cereals on the sides of the road or from houses.

When informal business activity was compared to respondents' gender, it was shown that 51.8% of men and 48.2% of women were involved in informal businesses. This suggests that, in contrast to other economic sectors, the gender ratio of men to women in the informal sector was practically proportional. The majority of women working in the informal economy were young, single women who were not burdened by household obligations or childcare.

Table 5.29 illustrates the perceptions of women employed in the informal sector about having the degree of economic and social security it offered. Both the male and female respondents stated that they felt respected in their communities and that they were both economically and socially secure.

TABLE 5.29: FREQUENCY AND PERCENTAGE DISTRIBUTION OF PERCEPTIONS OF ECONOMIC AND SOCIAL SECURITY AND COMMUNITY RESPECT BY GENDER

Gender and aspect		Number of cases	%
Male	Feels economically secure	211	99.5%
	Feels socially secure	207	97.6%
	Feels respected in the community	212	100.0%
Female	Feels economically secure	197	99.5%
	Feels socially secure	189	95.5%
	Feels respected in the community	198	100.0%

Source: Field Data (2021)

Some KII respondents, however, expressed concern about the fact that women did not have access to capital-intensive business possibilities like soft loans. This is partly because they lack sufficient collateral to engage in economic operations that require large financial investments.

> *''I applied to the Addis Ababa Micro Finance Institution to get a loan to purchase modern hair-dressing equipment. They require legal formalities including the collateral and business licence, which I don't have as an owner of a non-regulated business. In addition, they said that hair dressing, as a female-dominated business, is not part of the priority businesses that they could finance. As a result, I am 'handicapped' with no modern equipment that is absolute necessity to expand my business.''*

In addition, because of the patriarchal society, women are compelled to leave school in their early years. Male community members that receive a superior education, make up the largest portion of the formal sector economies, and are given more power to run the formal sector economy.

5.4.4 Mean number of current and desired children according to the educational level of the respondents

By reducing fertility, education plays a critical role in accelerating the possibility for the nation to reap the potential benefits of a demographic dividend. The matrix showing the impact of education on the number of children that the household decides to have, is used to determine the number of children for informal sector employees and their intention to have more.

TABLE 5.30: MEAN NUMBER OF CURRENT AND DESIRED NUMBER OF CHILDREN FOR INFORMAL WORKERS BY THE EDUCATIONAL LEVEL

CURRENT EDUCATIONAL STATUS:		VALID NO.	MINIMUM	MAXIMUM	MEAN
Primary	How many children do you have?	121	0	5	0.98
	How many do you intend to have additionally?	103	0	5	3.26
Secondary	How many children do you have?	176	0	5	1.3
	How many do you intend to have additionally?	115	0	5	3.2
Post-secondary	How many children do you have?	101	0	5	1.48
	How many do you intend to have additionally?	59	0	5	3
College graduate	How many children do you have?	10	0	2	0.9
	How many do you intend to have additionally?	6	3	5	3.5

[a] No statistics are computed for one or more split files because there are no valid cases.

Source: Field Data (2021)

The informal sector workers who had a primary level education, on average, currently had one child with a maximum of five and a minimum of 0, and they intended to have an additional 3.26 children in their lifetime. Informal sector employees with a secondary education level had, on average, 1.3 children, ranging from 0 to 5, and they wanted to have 3.2 more in the future. The post-secondary level of education group had 1.48 children, with a maximum of 5 and a minimum of 0, and they plan to have three more children in their lifetime. The highly educated workers, or those who had completed college, now had 0.9 children, with a minimum of 0 and a maximum of 2, and they planned to have an additional 3.5 children. Clearly, young people planned to delay getting married and having children. Thus, the researcher concludes that birth patterns and intentions to put off having children were essentially the same across all educational levels.

Similarly, as can be seen in Table 5.30, the average number of children the informal sector workers at any education level wanted to have is three to four children. These were lower fertility aspirations, although still above the replacement level of 2.1 children per couple. However, there was a slight tendency for the group with a higher education level to have smaller numbers of children than those with lower levels of education. This was also reflected in the future intention to have additional children. As can be seen in the correlation Table 5.31, the association is negative.

TABLE 5.31: CORRELATION BETWEEN LEVEL OF EDUCATION AND NUMBER OF CHILDREN IN THE HOUSEHOLD

		Education level	Children number
Education level	Pearson Correlation	1	-.226**
	Sig. (2-tailed)		0.003
	N	199	176
Number of children	Pearson Correlation	-.226**	1
	Sig. (2-tailed)	0.003	
	N	176	176

*** Correlation is significant at the 0.01 level (2-tailed)*
Source: Field Data (2021)

TABLE 5.32: FREQUENCY AND PERCENTAGE DISTRIBUTION OF CURRENT STUDIES BY CHILDREN UNDER FIVE IN THE HOUSEHOLD

	How many people in your household are younger than 5 years?					
	None		**One or more**		**Total**	
Are you currently studying?	Count	%	Count	%	Count	%
Yes	92	33.6	32	24.2	124	30.5
No	182	66.4	100	75.8	282	69.5
Total	274	100.0	132	100.0	406	100.0

Source: Field Data (2021)

The contingency table reveals that just 32.5% of the informal sector respondents have children under the age of five, and that among those who are presently enrolled in school, 74.2% do not have children under the age of five. This suggests that informal sector workers either postponed having children or chose to remain

childless in favour of earning an income. Given that they were in the peak reproductive ages and most of them were not married and had no children under the age of five, this has significant implications for the demographic dividend and potential age shifting in favour of the working age population.

5.4.5 Monthly income earned in the informal sector and number of children under five in the household

According to the quantitative statistics, both regulated and unregulated informal sector workers place a higher priority on generating an income than giving birth.

TABLE 5.33: FREQUENCY AND PERCENTAGE DISTRIBUTION OF MONTHLY INCOME EARNED IN THE INFORMAL SECTOR BY THE NUMBER OF CHILDREN UNDER THE AGE OF FIVE IN THE HOUSEHOLD

Monthly income earned in the informal sector	**No. of children <5 years in household**							
	Regulated				**Non-regulated**			
	None		**One**		**None**		**One**	
	Count	%	Count	%	Count	%	Count	%
Less than 1,000 Birr	34	27%	6	18%	78	39%	21	75%
Between 1,000-3,000 birr	2	2%	3	9%	58	29%	4	14%
Between 3,001-5,000 birr	9	7%	0	0%	60	30%	3	11%
Between 5,001-10,000 birr	74	60%	23	68%	6	3%	0	0%
Above 10,000 birr	5	4%	2	6%	0	0%	0	0%
Total	124	100%	34	100%	202	100%	28	100%

Source: Field Data (2021)

Table 5.33 shows that only six of the 40 informal sector employees with monthly incomes of less than 1,000 Birr had a child under the age of five. In addition, 23 of the 97 informal sector employees who earned between 3,000 and 5,000 Birr per month had at least one child under the age of five.

Although there is a modest trend for the regulated sector to have more children under the age of five, in general, the data shows that informal sector employees have fewer dependents at the household level. Out of 158 respondents in the regulated informal sector, 124 had no children under the age of five. In a similar vein, 202 of the 230 members of non-regulated groups did not have children under the age of five.

Additionally, according to Table 5.34, the mean income for the informal sector is now 3,487.6 Birr, with a standard deviation of 3,117 Birr, and the average number of children per household is 1.24, with a standard deviation of 1.28.

TABLE 5.34: MEASURES OF CENTRALITY FOR THE CURRENT INCOME AND THE CURRENT NUMBER OF CHILDREN

	Mean	**Std. Deviation**	**N**
Current income	3487.6	3117.2	409
How many children do you have?	1.24	1.28	408

Source: Field Data (2021)

According to Table 5.35, there is a negative association between household income and the number of children under the age of five, with a Pearson's correlation of -0.241 suggesting that the household's income decreased as the number of children increased. This may be the result of the young ages of the

children in the home, which means that caring for them took up more time than earning an income in the informal sector.

TABLE 5.35: TEST OF THE CORRELATION BETWEEN THE CURRENT INCOME AND THE NUMBER OF CHILDREN

		Current income	**How many children do you have?**
Current income	Pearson Correlation	1	-.241**
	Sig. (2-tailed)		0
	N	409	408
How many children do you have?	Pearson Correlation	-.241**	1
	Sig. (2-tailed)	0	

*** Correlation is significant at the 0.01 level (2-tailed).*
Source: Field Data (2021)

However, the informal sector employees expected to have three to four children per household on average, which is significantly more than the replacement level. That indicates that they were delaying marriage and the birth of their first child until they could provide for their growing household. They were aware of the demographic-economic balance. The findings correspond with what Gurmu and Mace (2008:15) conclude about the fertility decline in Ethiopia as not on a guaranteed downward trajectory, but instead, will be reversed when the per capita incomes increase, and the cost of children is then lowered.

Nevertheless, the KII argued that those who intended to have children in future were informal sector workers who currently had no or only a small number of children.

Table 5.36 indicates that the Pearson's correlation between the number of children they have now and the intended number of children that the informal sector workers wanted to have, had a negative correlation for both the regulated and non-regulated groups. These findings are also supported by the quotation below from a KI.

> ‘’*I am 22 years old now and I have a mobile fruit-selling business selling fresh fruit from a handcart. I have never been married, because I do not earn an income that can support a family. Hence, I am postponing marriage until I secure a level of income that can support a wife and perhaps four children. If I marry now, me and my family will experience poverty, food insecurity and shortages of several services”*.

TABLE 5.36: CORRELATION TEST BETWEEN THE CURRENT NUMBER OF CHILDREN AND THE INTENDED NUMBER OF CHILDREN

Type of business			**Value**	**Asymptotic standardised error[a]**	**Approximate T[b]**	**Approximate significance**
Regulated	Interval by Interval	Pearson's R	-0.246	0.079	-3.301	.001[c]
	Ordinal by Ordinal	Spearman R	-0.16	0.084	-2.107	.037[c]
	N of Valid Cases		171			
Non-regulated	Interval by Interval	Pearson's R	-0.18	0.065	-2.81	.005[c]
	Ordinal by Ordinal	Spearman R	-0.196	0.065	-3.069	.002[c]
	N of Valid Cases		237			

[a] Not assuming the null hypothesis

[b] Using the asymptotic standard error assuming the null hypothesis.

[c] Based on normal approximation

Source: Field Data (2021)

This suggests that individuals who were already parents did not wish to have more children, whereas those who were not parents or had fewer children would have liked to have more. Thus, it can be shown that there were and would be fewer dependents in the future.

Another chi-square test was conducted on whether there was an association between the number of dependents of the unemployed youth who were engaged in the informal sector and the status of being regulated or not. As shown in Table 5.37, the test determined that there was a highly significant association between the two variables for both the Pearson Chi-Square and the Likelihood Ratio tests (p-value=0.000). It implies that dependency was highly associated with the status of the regulation of informal activities.

TABLE 5.37: CHI-SQUARE TESTS OF SIGNIFICANCE BETWEEN DEPENDENCY AND STATUS OF REGULATION OF THE BUSINESS

Statistic	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	25.757	6	.000
Likelihood Ratio	26.454	6	.000
Linear-by-Linear Association	15.321	1	.000
No. of valid cases	409		

Source: Field Data (2021)

Hence, the researcher concludes that with the increased youth population in the informal sector, there was a decline in the dependency ratio. The focus was on earning money for their livelihoods instead of getting married and having more children. It seemed that the youth in the informal sector were beginning to realise that it cost money to send children to school, cover their health care expenses and

care for them. Ethiopia has a TFR of 2.4 in the cities and 6.0 in the rural areas. Those without any education gave birth to 6.1 children, compared to two for those with at least a secondary education (CSA DHS, 2019). Ethiopia has an extremely youthful population (under 15 years old), which creates a strong momentum that is demonstrated by the extraordinarily high proportions of women in the various reproductive age groups. However, the respondents displayed a lower actual and desired number of children.

5.5 THE ROLE OF THE INFORMAL SECTOR IN CONTRIBUTING TO EDUCATION AND SKILLS TRAINING

The researcher in the section below explores the relationship between informal sector and education as well as skill training.

5.5.1 Involvement in informal sector and current level of education

Due to its support for learning, training, and obtaining new knowledge and inventions, education is a potent weapon for achieving sustainable development. The researcher explored whether the level of education and skills training mattered for entry into informality as well as what the role of the informal sector was in promoting further education. This was determined by answering questions about whether or not operators in the informal sector had raised their educational level since joining the sector. The study also looked at how education assisted the respondents, in making the move to the formal sector. Finally, the researcher investigated how skills acquisition and integration with formal business occurred in the informal sector.

TABLE 5.38: FREQUENCY AND PERCENTAGE DISTRIBUTION OF EDUCATIONAL LEVEL BY GENDER AND TYPE OF BUSINESS

Is your business regulated or non-regulated business?	Education level	Frequency	Male	Female	Percent
Regulated	Primary	45 (26.2%)	25 (24.6%)	20 (28%)	26.2%
	Secondary	85 (49.4%)	53 (52%)	32 (45%)	49.4%
	Post-secondary	36 (20.9%)	21 (21%)	16 (23%)	20.9%
	College graduate	6 (3.5%)	2 (2%)	4 (6%)	3.5%
	Total	172 (100%)	101 (100%)	71 (100)%)	100%
Non-regulated	Primary	77 (32.5%)	35 (31.5%)	42 (33/3%)	32.50%
	Secondary	91 (38.4%)	41 (36.9%)	50 (39.7%)	38.40%
	Post-secondary	65 (27.4%)	33 (29.7%)	32 (25.4%)	27.40%
	College graduate	4 (1.6%)	2 (1.8%)	2 (1.5%)	1.70%
	Total	237 (100%)	111 (100%)	126 (100%)	100%

Source: Field Data (2021)

Table 5.38 shows that more than 70% of the informal sector workers' level of education was below the secondary education level and the rest were at the post-secondary level. This was not different for the regulated and unregulated informal sectors. Therefore, since people with almost all levels of education were involved in the informal sector's activities, the education level was irrelevant for both entering the sector and transitioning to a regulated position.

The majority of the respondents were literate, able to read and write, and capable of doing tasks requiring a basic level of literacy. The age groups between 18 and

20 years had the highest weighted mean years of education, as seen in Table 5.39. This demonstrates how poverty is presently driving a rise in the number of high school graduates and dropouts from the highest levels of primary and secondary education into the informal sector. Due to a dearth of decent work, those with substantial levels of education are entering the informal economy. The KII results also revealed the lack of a social protection support system, such as school food programmes, for those students who had left school in the elementary and secondary grades and went on to work in the informal sector. The quotation below from a KI confirms that the lack of social support programmes in schools was responsible for the dropouts and pushed many of the dropouts into the informal economy.

> *''The elementary and secondary dropout rate is much higher in schools without feeding programmes than in schools with such schemes. Hence, the MoE and partners should expand the inclusive social protection programmes targeting the informal sector.* '' (Mr YOH, the director for quality assurance in the Addis Ababa TVET Agency)

The average number of years spent in school for this age group was 6.55, and the average grade attained was 6.71. The age group of 18- to 20-year-olds had a mean education level of 6.55 years in the informal sector, according to Table 5.39, while the oldest age group, 27 to 28 years old, had a mean education level of 7.40 years. This shows that more 18- to 20-year-olds had dropped out of school earlier than had previously been the case.

TABLE 5.39: MEAN YEARS OF EDUCATION BY AGE OF HOUSEHOLD HEAD

Age Category	N	Minimum	Maximum	Mean	Std. Deviation
18-20 years	136	1	13	6.55	3.814

Age Category	N	Minimum	Maximum	Mean	Std. Deviation
21-23 years	130	1	12	6.4	3.657
24-26 years	112	1	14	5.91	3.906
27-28 years	30	1	13	7.4	4.166

[a] *No statistics are computed for one or more split files because there are no valid cases.*
Source: Field Data (2021)

Some KIIs believed that if the present situation persisted in the nation, young people may not have the opportunity to obtain formal employment even after completing their studies up to the graduate level. They also provided proof that their older siblings and other relatives who had graduated, had not found official employment for longer than five to seven years. Therefore, the absence of official employment in the nation is one factor preventing young people from continuing their education and from engaging in formal employment. The quotation from a KI below confirms that the reason behind the secondary school dropping out of younger siblings, was triggered by a lack of formal jobs for the older siblings who have graduated from the universities in Ethiopia.

> *''I was 17 years old before I dropped out of school in the 9th grade and migrated to Addis from Wolaiyta. There I worked repairing shoes, something I have been doing for the last four years. I am the 5th boy in my family, and my oldest brother graduated from a university. He and his friends have not had formal or informal jobs so far. Then I ask myself 'what is the point of graduating from a university?' To me, it is just a waste of time. Hence, it is better to look for other options than to continue with formal education for many years and end up unemployed.''*

5.5.2 The effect of education on the informal sector operation in Addis Ababa

As can be seen in Table 5.40, the mean years of schooling for the participants after starting the informal sector workers was 6.63, which was slightly higher than the

mean years of schooling before joining the informal sector which were 6.39. This shows the role of informal sector in increasing the education level was insignificant.

TABLE 5.40: MEAN YEARS OF EDUCATION BEFORE AND AFTER JOINING THE INFORMAL SECTOR

	No.	Minimum	Maximum	Mean
Highest level of education attained _After	408	1	15	6.63
Highest level of education attained _Before	408	1	14	6.39
Valid No. (listwise)	408*			

** 1 missing Source: Field Data (2021)*

5.5.3 Female educational attainment

Moreover, according to the survey results, there was no noticeable difference in the present levels of schooling between males and females. As shown in Table 5.41, informality was therefore not limited to a certain level of education or gender.

TABLE 5.41: MEAN YEARS OF EDUCATION BY SEX

Gender	No.	Minimum	Maximum	Mean	Std. Deviation
Male	211	1	13	6.38	3.853
Female	197	1	14	6.4	3.798

Source: Field Data (2021)

In comparison with their male counterparts, who had an average of 6.38 years of education, the female respondents had a slightly higher average of 6.40 years. This may indicate that more girls were leaving school to work in the informal sector,

despite indications of greater knowledge and awareness among women (for instance, regarding fertility decisions and the use of family planning).

Economic vulnerability is the main determinant of participation in informality. This supports the KII finding that the majority of informal sector employees agreed that poverty, food insecurity, and home vulnerability were the primary causes of dropping out of school and transferring into the informal sector. The quotation below from the KI evidence that poverty and a lack of employment drove people into the informal economy.

> *‘’I was born in a small village called Belela in the Sidama region. My father died when I was in the fifth grade. My mom was not able to cover the cost of a school uniform, or to feed us. We were very poor and lacked options. Then I migrated to Addis with friends to work in any available informal sector job. Fortunately, I am earning at least 120 Birr per a day engaging in shoe polishing and other daily labour. ‘’*

According to the Woreda Education Office's KII results, children from families in the informal sector have few opportunities to finish their education because of poverty. Children from low-income households without stable jobs or sources of money make up the majority of those who are not in the school system. Children from low-income families in the informal sector typically have few possibilities to further their education.

The research further demonstrates that highly educated workers in the informal sector use it as a springboard for future employment in the formal sector. The qualitative data also indicate that a higher level of education enhances integration into the formal economy due to improved self-confidence, reduced perceived risk, and improved human capital. This is further explored in Table 5.42, which shows that workers in the informal sector with higher levels of education plan to use this sector as a stepping-stone for official employment in the city.

The quotation below from a KI demonstrates how someone with a higher level of education joins the informal sector with the hope of leaving it as soon as possible to join a formal business.

> *''It is two years now since I started welding at the small metal workshop after I graduated from the TVET college. I repair household equipment, old and broken items such as children's bicycles, and do any small metal works. After I have earned some money as initial capital, I am planning to start a metal workshop with my colleagues and apply for a licence. As soon as we are licensed, we will get a loan, working premises and support from the government. After a few years I envisage to open a garage and that will easily be integrated into the formal economy.''*

TABLE 5.42: PERCENTAGE DISTRIBUTION OF PERCEPTIONS OF THE INFORMAL SECTOR BY LEVEL OF EDUCATION AND TYPE OF BUSINESS

Type of business	Highest education level	Perception of informal sector		Total
		Steppingstone	Permanent	
Regulated	Grade 1-4	5 (14%)	31 (86%)	36 (100%
	Grade 5-8	35 (70%)	15 (30%)	50 (100%)
	Grade 9-12	57 (92%)	5 (8%)	62 (100%)
	Above 12	12 (100%)	-	12 (100%)
Non-regulated	Grade 1-4	3 (9%)	29 (91%)	32 (100%)
	Grade 5-8	41 (56%)	32 (44%)	73 (100%)
	Grade9-12	60 (76%)	19 (24%)	79 (100%)
	Above 12	2 (67%)	19 (33%)	3 (100%)
		115 (49%)	122 (56%)	237 (100%)*

**172 responses do not know and missing*

Source: Field Data (2021)

According to the quantitative data, workers with education levels above Grade 6 believed that their current jobs were steppingstones to formal employment, whilst those with education levels below Grade 6 believed that their work in the informal sector could provide them with a permanent source of income. Surprisingly, this trend is similar for both the regulated and non-regulated informal sectors. It is surprising, given the government's efforts to formalise the informal sector via training, providing credit, and supplying work premises.

NARRATIVE FROM KEY INFORMANT INTERVIEW 5.3 Mr ABO

Mr ABO is from Oromia. He is a 28-year-old auto mechanic graduate from the Sebeta TVET College. He grew up in a household of seven siblings that lived in poverty in the peri-urban area and relied on the informal selling of bread, tea, and dry breakfasts like "kokker" to make ends meet.

The household's needs for a living could not be met by this. Due to poverty, his younger siblings were compelled to leave school. Despite all of these difficulties, he maintained his studies, while working in the informal sector and paying for his siblings' schooling. He enrolled in a diploma programme, which he finished in July 2015. He works for a young, wealthy entrepreneur at a medium-sized garage near the Merkato Bus Terminal in Addis Ketema. He is related to the man who employs him. Shortly after graduating in 2015, started working at the garage. He received a 3500 Birr monthly income in addition to incentives like tips from his customers. As a result, he brings in a total of 4 000 Birr per month.

According to him, working in the informal sector offers opportunities for employment, the transfer of skills and experiences, income, the chance to further his education, assuring food security, and the development of saving habits. He is now helping all three of his brothers complete their college degrees at the Sebeta Industrial College in various fields of study. He helps them with their

monthly tuition payments. In addition, he regularly saves 600 to 1 000 Birr every month in his bank account, totalling 22 500 Birr to date.

He helped his parents by giving them an amount close to 10,000 Birr in the last two years. The livelihood of his household has greatly improved, and they are now living a relatively better life than their impoverished neighbours. His younger brother, who is currently in the ninth grade, has a regular retail business that covers all his educational expenses. His shop is now officially registered, and he anticipates receiving increased support from the government.

The above narrative demonstrates the role of the informal sector in enhancing the employment opportunities, incomes, and the livelihoods of households. Moreover, it also indicates that with increased income the informal workers also get a chance to continue their education, thereby broadening their future prospects.

5.6 INCOME AND EDUCATION

In this section, the researcher analyses the role of current education in enabling the informal sector respondents to acquire a better income. Table 5.43 indicates that out of 51 non-regulated informal sector workers, nine with primary, 28 with secondary, and 14 with post-secondary levels of education, earn less than 1,000 Birr per month. The majority of the regulated sector respondents with primary and secondary levels of education earn 5,000 to 10,000 Birr per month. On the other hand, the majority of non-regulated informal sector workers at various levels of education earn incomes of 1,000 to 5,000 Birr per month.

Table 5.43 shows that of the regulated informal sector workers with a primary education, 68% earned between 5000 and 10,000 Birr, while 20% earned less than 1,000 Birr. Only 5% of those in the unregulated category received the same amount of money. In the regulated category with secondary education levels, 45% earned the same amount of income, while in the non-regulated group, only 2% earned the

same amount. Again, in regulated post-secondary education level education category, 50% earned an income of between 5,000 and10,000 Birr, while in the non-regulated category, no one earned the same amount. The same was true for college graduates in the regulated group, where 67% earned an income of between 5,000 and10,000 Birr, while no one earned that much in the non-regulated group.

TABLE 5.43: COMPARISONS BETWEEN THE EDUCATION OF THE INFORMAL SECTOR WORKERS AND THEIR INCOMES

The type of Informal Sector	Income Range(Birr)	Current Educational Status				Total
		Primary	Secondary	Post-secondary	college graduate	
Regulated	Less than 1000	9(20%)	28(34%)	14(39%)	0	51(30%)
	Between 1000-3000	3(7%)	2(2%)	0	0	5(3%)
	Between 3000-5000	2(7%)	7(8)	0	0	9(5%)
	Between 5000-10,000	30(68%)	45(54%)	18(50%)	4(67%)	97(57%)
	Above 10,000	0	1(1%)	4(11%)	2(33%)	7(4%)
	Total	44(100%)	83(100%)	36(100%)	69100%)	169(100%)
Non-regulated	Less than 1000	18(23%)	41(45%	42(65%)	4(100%)	105 (4%)
	Between 1000-3000	28(36%)	25(27%)	10(15%)	0	63(27%)
	Between 3000-5000 birr	27(35%)	23(25%)	13(20%)	0	63(27%)
	Between 5000-10,000	4(5%)	2(2%)	0(0%)	0	6(3%)
	Total	77(100%)	91(100%)	65(100%)	4(100%)	237(100%)

Source: Field Data (2021)

According to the contingency table, there was a moderate impact of the education level on the variation in monthly income among groups in the regulated informal

sector. When the researcher compared the income levels of those with primary education to those with post-secondary education, the changes in income achieved a statistically significant level of p=0.029, and when comparing those with a secondary education to those with a post-secondary education, a variation in the income of 0.015 was found. Except for these two categories, the income distribution across educational groups was not statistically significantly different.

TABLE 5.44: ONE-WAY ANOVA MULTIPLE COMPARISONS OF THE EDUCATION LEVEL AND INCOME

CURRENT EDUCATIONAL STATUS:			MEAN DIFFERENCE (I-J)	STD. ERROR	SIG.	95% CONFIDENCE INTERVAL	
						LOWER BOUND	UPPER BOUND
LSD	Primary	Secondary	-38	365.4	0.9	-756.2	680.4
		Post secondary	911.55235*	417.3	0	91.3	1731.8
		College graduate	-270	1020.3	0.8	-2275.3	1735.9
	Secondary	Primary	38	365.4	0.9	-680.4	756.2
		Post secondary	949.53*	387.2	0	188.3	1710.6
		college graduate	-232	1008.3	0.8	-2214	1750.4
	Post secondary	Primary	-911.55*	417.3	0	-1731.8	-91.3
		Secondary	-949.43*	387.2	0	-1710.6	-188.3
		College graduate	-1181	1028.3	0.3	-3202.6	840.2
	college graduate	Primary	270	1020.3	0.8	-1736	2275.3
		Secondary	232	1008.3	0.8	-1750.4	2213.9
		Post-secondary	1181	1028.3	0.3	-840.2	3202.6

** The mean difference is significant at the 0.05 level*
Source: Field Data (2021)

However, the KIs highlighted that when education levels rise, there is a change in revenue for the unregulated informal sector. This is due to the fact that people who have higher levels of education look for other options, such as taking part in high-value activities like brokerages, ICT-related activities, jewellery making, and the street selling of clothing, which enables them to increase their incomes.

5.6.1 Current studies by the respondents while working in an informal business

The researcher assessed the respondents' situations concerning whether they would continue their education while working in an informal business. Table 5.45 shows that 70% of workers in the informal sector were not currently enrolled in school. The quantitative investigation demonstrated that there was no difference in the current school attendance of regulated and unregulated workers. The KIIs indicated that the lack of an Addis Ababa residency ID card, which was a need for enrolment in formal classes as well as distance learning or night-time classes, was the reason why operators in the informal sector were not continuing their education. A major obstacle to the informal sector's ability to complete their education was the lack of a flexible approach that worked with their schedules in informal jobs. The quotation from a lady who participated in the informal sector attests how tough the challenge was:

> ‘*’It is distressing to be considered ‘alien’ in your own country. I migrated to the city from the Amhara region four years ago after dropping out of school in the 7th grade. I engaged in the street food vending, selling tea, coffee, and bread. I had a strong desire to continue my education either in formal classes or in evening classes. But this requires one to have an Addis Ababa residence ID card for registration. I tried to get an ID card after fulfilling all the formalities but the kebele administration never give me an ID card. There is no inclusive education or a work system that accommodates all the informal sector workers, migrants, women*

who sell wares in the street, or the vulnerable. It is really terrible especially for those who migrated from regions other than Oromia."

Table 5.45 shows that around 30.5% of workers in the informal sector were currently enrolled in school. Only 30 of the 156 people who earned less than 1,000 Birr, 19 of the 68 people who earned between 1,000 and 3,000 Birr, 32 of the 72 people who earned between 3,000 and 5,000 Birr and only 41 of the 103 people who earned between 5,000 and 10,000 Birr were currently enrolled in school.

TABLE 5.45: INFORMAL WORKERS CURRENTLY STUDYING, AND THEIR INCOME

	Less than 1,000 Birr		**1,000-3,000 Birr**	**3,000-5,000 Birr**	**5,000-10,000 Birr**	**Above 10,000 Birr**	**Total**
Are you currently studying?	Yes	30	19	32	41	2	124
	No	126	49	40	62	5	282
Total	156		68	72	103	7	406
Per cent of those currently studying	19%		28%	44%	40%	28.50%	30.50%

Source: Field Data (2021)

Moreover, there is no discernible difference between higher and lower income earners in terms of continuing their schooling. The t-test index revealed a negative relationship between continuing their education and working in the informal sector. The p-value in this regard was found to be above 0.05 and this indicates that the association was not statistically significant.

TABLE 5.46: T-TEST OF THE CORRELATION BETWEEN INFORMAL WORKERS' CURRENT STUDIES AND THEIR INCOME

		Levene's Test		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Lower	95% Confidence Upper
Current income	Equal variances assumed	2.204	0.138	2.956	407	0.003	982.2	332.21	329.11	1635.2
	Equal variances not assumed			2.799	208	0.006	982.2	350.95	290.29	1674.1

Source: Field Data (2021)

Due to the fact that the majority of workers in the informal sector were involved in daily revenue-generating activities, and their income diminished if they devoted time to schooling, which is not surprising. As a result, the contribution of the informal sector to improving household education in the informal sector is not as considerable.

NARRATIVE FROM KEY INFORMANT INTERVIEW 5.4: Mr Y

Mr. Y was a student at the Menelik II High School and was enrolled in Grade 9. He moved to Addis Ababa because he could not make enough money, and he was a single parent. After two years of being in Addis Ababa, Mr. Y observed how his friend's life had altered.

This person lived in a 500-Birr rental home in a squatter community with two other friends while working in the Addis Ababa's informal economy. Mr. Y claimed that the informal sector provided a safety net for employment and education and that his original business was selling used clothing. In addition to enrolling in Grade 9 at the Menelik II High School, he was able to help his sisters pay for their school expenses thanks to his daily salary of 150 Birr. He quickly discovered, though, that he did not have enough time for selling, and his daily income dropped to 50 Birr. His sisters were forced to leave school since he could no longer afford to send money home. Mr. Y quit school once more, but this time

he took care to set aside 200 Birr each month to buy 0.5 ha of land near his first residence. His education was likewise continued again with the funds.

The case of Mr Y shows how the school's hours conflict with the work hours of the informal sector. This is an area where the policy makers should consider if they really plan to meet the SDG 4- to ensure inclusive and equitable quality education and promote lifelong learning opportunities for all. This needs an understanding of the situation and multisectoral integrated planning to solve the problem, putting the informal sector at the core of the development agenda.

5.6.2 The effect of skills training on the informal sector option in Addis Ababa

Low skilled and low paying jobs like minor and "gullet" traders, salespeople in small shops, and domestic servants make up a sizeable section of the informal sector. However, there is little potential for innovation and sustainable additions to the city's economic and social development due to the employment structure of the informal sector. The majority of people working in the city's informal sector are employed in simple, service-related jobs. The respondents were asked about the type of business activity in which each respondent was engaged. The service sector accounted for the vast majority (36.9%) of business activities, followed by trade (31.5%), and then production.

TABLE 5.47: FREQUENCY AND PERCENTAGE DISTRIBUTION OF HAVING EVER RECEIVED BUSINESS SKILLS TRAINING

	Have you ever received business training?			
Regulated		Yes	No	Total
	Male	81 (84.4%)	15 (15.6%)	96 (100%)
	Female	46 (68.6%)	21 (37.4%)	67 (100%)
	Total	127 (77%)	36 (23%)	163 (100%)
Non-regulated	Male	27 (33.3%)	53 (67.7%)	81 (100%)
	Female	33 (31.7%)	71 (78.3%)	104 (100%)
	Total	60 (32%)	124 (68%)	184 (100%)
	Total	187	160	347

**62 non-response*

Source: Field Data (2021)

As shown in Table 5.47, 53.7% of the respondents who were engaged in informal business had received business skills training even though it was unrelated to what they were doing at the time. When the regulated were organised into MSE's entities, the government provided two to three days' training as part of a package of support. Most unregulated individuals could not receive training. The outcomes of the chi-square test shown in Table 5.48 verify this.

TABLE 5.48: CHI-SQUARE TEST OF ASSOCIATION BETWEEN RECEIVING SKILLS TRAINING AND THE STATUS OF THE REGULATION OF BUSINESS

	Value	df	Asymptotic Significance (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	84.746	1	.000		
Continuity Correction	82.911	1	.000		
Likelihood Ratio	88.490	1	.000		
Fisher's Exact Test				.000	.000
Linear-by-Linear Association	84.538	1	.000		
No. of valid cases	409				

Source: Field Data (2021)

Using the Pearson Chi-Square and Likelihood Ratio tests, the relationship between the two variables was statistically significant (p-value = 0.000). It suggests that gaining business knowledge was strongly correlated with the level of informal activity regulation. Therefore, it can be deduced that regulation of a business affects skills training of the unemployed youth engaged in informal activity.

Moreover, the KII, in conjunction with government representatives, acknowledged that although workers in the informal sector had skills they had obtained through the informal system, they still needed to upgrade their abilities and obtain certificates in order to be employed in the formal sector. There was no framework in place to accommodate the unregulated informal sector workers' demands and offer certification to them.

The KIIs with the operators of the unregulated informal sector, also confirmed that formal vocational training was not responsive to the needs and constraints of the marginalised and unregulated informal sector workers because the educational

requirements were high, and the training delivery mechanism was rigid. Young people working in the informal sector thus had little to no access to occupational skills training. The lack of options for either skills training or normal high school and vocational training was one of the young people in this age group's major issues, especially those who were between the ages of 15- and 19-years. The bulk of these groups came from low-income families who were unable to cover the expenditures of their education and training. The quotation of Ms Nani clarifies the context.

> *''I migrated to the city from Hadiya five years ago after dropping out of school in the 8th grade. I am an Assistant Gypsum Worker and I earn 150 Birr in a day, three to four times less than my supervisor and labouring three times more than him. I wanted to attend a six-month training course on Gypsum Roofing and Furnishing that is offered at TVET centres. What I wanted was a certificate, more than skills, because I already have adequate skills to work in this profession. However, they could not enrol me as they only accepted those who had completed high school. As a result, my income hasn't changed for the last five years. It would have been so great if the government helped us to access vocational training arranging the training hours to suit us.''* Ms Nani

NARRATIVE FROM THE KEY INFORMANT INTERVIEW 5.5: Ms AH

Ms AH revealed that:

> *"Following the completion of the fourth grade, my husband proposed to me. But in 2016, along with other friends, I resisted the pressure to get married and instead moved to Addis. I stayed with my friends and worked as a women's hair stylist for a daily wage of 50 birr. For hair styling, I received on-the-job training. I've had my current employment for five years, yet I'm*

still unable to land a lucrative position at a professional hair salon. This is due to the fact that I lack a document attesting to my talent."

As a result, there is now a vicious cycle of poverty, low productivity, and unemployment. She asserts that the government curriculum should be adaptable to accommodate workers in the unofficial sector, and she adds:

"We should be given compensation to encourage mothers to attend training and stop female trainees from quitting. Given that we are working and studying at the same time, a flexible methodology should be used to give us the chance to improve our skills and find better-paying employment."

5.7 CONCLUSION

In this chapter, the researcher presented findings related to the way in which the informal economy affects household dependency ratios as well as income, assets, food security, and educational levels. The study demonstrates that persons who engaged in informal businesses have significantly higher incomes and asset values than they did in their lives prior to starting the business.

Operators in the informal sector earned an average monthly income of 810 Birr (16 US$) prior to entering the informal sector; this was increased to 2138 Birr after joining to the sector; and this is further improved to 5347.3 Birr after being regulated. Similarly, the total land holding of the parents of the informal sector workers changed, from 0.388 hectares before migration to 0.547 hectares after migration.

Furthermore, the informal sector plays a vital role in providing a safety net for Addis Ababa's youth unemployment in terms of food security. After entering the sector, the situation regarding food security improved because most of the respondents

were able to get food on their own rather than being dependent on their families. This is supported by the fact that 80% of the respondents from the regulated informal sector shared that working in the sector improved their access to better food security than before. However, the COVID-19 pandemic, in addition to rising fuel and food prices, is a significant obstacle in this regard.

According to the survey results, there was a definite tendency towards decreased fertility in the informal sector. Furthermore, the impact of education on the operation of the informal sector in Addis Ababa, demonstrated that the degree of education was irrelevant for both entry into the sector and transformation to the regulated status because practically all the educational levels were involved in the sector's activity. The income varied slightly throughout the educational levels in terms of the link between income and education. According to the quantitative data, workers with education levels above the 6th Grade believed that their current jobs were steppingstones toward formal employment, whilst those with education levels below the 6th Grade believed that their current jobs might provide them with a permanent source of income. However, the informal sector does not play a particularly large part in improving the level of schooling in these homes. Additionally, for the informal sector, continuing their education and training was quite difficult due to a lack of flexible methodologies that suited with their schedule.

CHAPTER 6: FACTORS AFFECTING THE INFORMAL SECTOR'S EFFECTIVENESS

6.1 INTRODUCTION

The informal sector can yield improvements in the lives of the workers and increase their standard of living. The conversations with the KIIs revealed that the informal sector was a crucial area of growth since it welcomed new young people to join in, it helped them learn new skills, boosted self-reliance and a sense of self-worth, and raised living standards.

The KIIs, who were government officials, made it clear that the informal sector offers opportunities for impoverished people by allowing them to choose to buy goods in small quantities based on their available incomes. Additionally, it offered quality goods at more affordable pricing so that people of different financial backgrounds could purchase them. The employment of a variety of materials and technological advancements to meet the demand affordably led to lower prices.

Additionally, it promoted the economic injection of modest funds from owners, families, friends, and other relatives that might not otherwise be invested. In this chapter, the informal sector in Addis Ababa is described in further detail, including its profile, traits, difficulties, and SWOT analysis. Additionally, the most crucial elements that contributed to the change significantly in income are reported. Having an Addis Ababa ID card, age, gender, ethnicity, whether the business is regulated or not, the current educational status, skills training, type of business premises, whether the business has received a loan, and market linkage are some of the excellent predictors of income earned in the Addis Ababa's informal sector.

6.2 THE INFORMAL SECTOR IN ADDIS ABABA: PROFILE, CHARACTERISTICS, CHALLENGES, AND SWOT ANALYSIS

The two informal sectors identified namely: unregulated and regulated informal sectors have their unique relative features that can be distinguished in terms of their operations, level of formality, tax payment status, technology use, market connections, product quality, consumer types and other parameters. This is clearly explained hereunder.

6.2.1 Profile and characteristics of Addis Ababa's unregulated informal sector business owners

It is particularly crucial to understand who the informal workers are and what their profiles are to develop appropriate policy, strategy, and programmes geared to the informal sector. Most young people working in the informal economy come from low-income families with a high dependency ratio. The fact that the lowest average was the possession of only 0.38 hectares of land per household before they migrated to Addis Ababa serves as proof of this. Some KII participants from the unregulated informal sector admitted that the sale of their household's land was what led to their involvement in the sector. According to the KII data, population pressure, land degradation, the size of farm holdings, and rising unemployment are the key factors that lead to a higher level of youth involvement in the informal sector. These employees aim for a better life by working in the informal sector as a safety net to transition to better and more stable livelihoods.

> *''I am an assistant to my relative who drives a small taxi. I get 100 Birr per day and save 50 Birr per day. I am saving a portion of my income, not because it is above my daily basic needs, but because I want to have a better future by buying a small taxi.''* MNG

The following are the characteristics of the workers in the informal sector as mentioned in the KIIs:

- School dropouts who migrated in search of manual labour.
- Refugees and forced migrants because of inter-ethnic conflict.
- Unemployed young people, who have graduated in neighbouring cities of Addis Ababa.
- Children of divorcees and single parents.
- Orphans and homeless children living on the streets.
- Military veterans.
- Intermittent farmers and students travelling for seasonal labour jobs.
- Laid-off employees from formal institutions.
- Youth from low-income families of the host communities.
- Unemployed youth organised in MSEs after graduation from universities and TVETs.
- Entrepreneurs and small-scale innovators.
- Unskilled rural household members from low land holding backgrounds.
- Poor households with large household sizes.
- Daily, intermittent, less-skilled youth labourers from the peri-urban cities around Addis Ababa.
- Students in colleges and private universities wishing to pay their tuition fees.
- Youth from the rural areas' relatives in Addis Ababa City.
- Tour guides and pension renting services dealers at national bus stations.
- Young people who migrated after formal legal correction or to a hide from possible prosecution for petty crimes.
- Youth trained by non-state actors.

6.2.2 Characteristics of the non-regulated informal sector

As per observations and KIIs, many informal businesses have a single owner and very little economic activity for the non-regulated workforce. It was discovered that

most businesses only employed one employee on average for each activity. According to the research, women typically offer goods that require less capital, such as food products, both cooked and uncooked, perishable fruits and vegetables, boiled coffee, jewellery, and cosmetics. From the qualitative KIIs, it emerged that most of the informal sector businesses, particularly the unregulated ones, sells their items at roadside stands or small marketplaces using makeshift tents, mats, gunny bags, tables, racks, wheelbarrows, handcarts, and bicycles. Some sellers set up shop in places where there is a great deal of pedestrian activity.

In addition, from the KIIs, it was deduced that the average workday for the unregulated informal sectors was twelve hours. It was discovered that businesses in the unofficial, unregulated industries remained in operation for an average of six years. The amount of time that men and women in the sector spend working for the same employer varies, though. In contrast to women, who spent an average of seven years in the unregulated informal sector, men stayed there for an average of six years. This suggests that women exit the unregulated informal economy more slowly than men do.

The data from the KIIs showed that the following were typical characteristics of the unregulated informal sector:

- Most were young dependents with low skills.
- Most were not protected by minimum wage legislation and a social security system.
- Most were not legally obliged to pay official taxes.
- Most did not belong to a trade union.
- A considerable number of the actors were rural urban migrants due to unemployment.
- Many reported being exposed to abuse and corruption by code enforcement officers.
- They had little job security.

- They lacked recognised marketplaces.
- They worked in labour-intensive and adapted technology jobs.
- They lacked access to institutional credit or other support and protection.
- They acquired skills mainly outside the formal system of education and training.
- They were not legally registered by formal business licensing.

6.2.3 The profile and characteristics of the regulated informal sector

The KIIs from government offices and from the TVET and MSE agencies explained how the regulated informal sector in Addis Ababa was profiled. According to the KIIs, the reason put forward by the government for selecting these sectors as an area of focus were:

- They are labour intensive.
- They can drive economic growth.
- They showcase the entrepreneurship of the youth.
- They have a positive impact on the social and environment.

The government of Ethiopia prioritises these profiled activities in the informal sector. In another words, the government organises, trains, and provides them with working premises.

TABLE 6.1: THE PROFILE OF THE REGULATED INFORMAL SECTOR

S.NO	REGULATED INFORMAL SECTOR TYPES	SUB –ACTIVITIES
1	Garment and Clothes Sub-Sector	Weaving (Making cultural clothes, knitting of carpets), sewing, dyeing and colouring, printing on clothes, and socks.
2	Hides and Hide Products	Bags and wallets, leather products and clothes, shoes.
3	Metal works	Aluminium doors and windows, bolts and nuts, metal drainage ditches, metal household and office furniture, nails, wire nets and wire mesh, metal bottles, springs, staplers and staples, bending metals, keys, welding works, door handles, corrugated sheets, etc.
4	Wood works	Logs and general wood works, office and household furniture, bamboo and carpets, beehives, chairs and tables
5	Urban Agriculture and Agro processing	Spices, , bread and injera baking, honey processing, meat and milk processing, food oils, fruit juices, coffee and vegetable processing, soft drinks and alcohols processing,
6	Construction sub-sector	Bricks, stones, ,sand, , drainage ditches, precast beams etc
7	Chemicals and Chemical Products, and Detergents sub sector	Soaps, liquid detergents, plastic products, paper products and covers, gas products, candles, minerals, anti-germs, glues, and plastic recycling, etc.
8	Mining Extraction and Jewellery Making Sub Sector	Precious gemstones, opals, tantalum, dolomites, bentonite, gold and silver jewellery, medals, etc.
9	Engineering sub sector	Water pumps, filters, water tankers, cereals pounding equipment, water collection reservoirs and plastic sheets, cooking electric and wood saving stoves, production inputs
10	Petty trade	Food, vegetables and cooked cereals sales, plastic products, chewing gums, cigarettes and consumables selling, second-hand clothes, stickers , etc
11	Services sector	Hired labour services in construction projects, hotels restaurants, guarding and cleaning services, waiting and customer care services, etc.
12	Waste recyclers	Plastic bottles, metals collectors and recyclers
13	Agents and Brokers and Business Promoters	Sanitary materials, hair oils, house and car sales and renting brokers
14	Solid waste collectors	House-to-house waste collectors
15	Arts and Music Makers	Translators, Transcribers, Script writers and plays
16	Sports and Games	Football and volleyball players and trainers
17	Garage and Maintenance Works	Maintenance, car washing, fuelling, and oils supplies services
18	Private business hired employees	Salary paid workers in business companies like production industries and companies
19	Joint Venturing Business share workers	Wholesales' and distributers, and Merchandizing businesses like Sales of Clothes
20	Painting, Dying and Colouring Workers	Houses and buildings

Source: Field Data (2021)

6.2.4 The primary distinction between non-regulated and regulated informal sectors' defining characteristics

As summarised in Table 6.2, the KIIs asserted that specific traits distinguish the unregulated from the regulated informal sectors in terms of their operations, level of formality, tax payment status, technology use, market connections, product quality, and consumer types.

TABLE 6.2: NON-REGULATED INFORMAL SECTOR CHARACTERISTICS COMPARED TO REGULATED INFORMAL SECTOR

CHARACTERISTICS	NON-REGULATED	REGULATED/MSES
Types of activity	Micro-activities, street trading, low capital inputs	Mostly small and medium manufacturers, service providers, distributers, software business
Degree of formality	Completely informal, absence of official protection and recognition and reliance on local resources	Partially Informal, the government supports for about 3-5 years, absence of trade union organisation
Tax free business environment	Completely tax free	Partially free-tax paid business at subsidized rate
Technology	Highly labour intensive, limited innovativeness and entrepreneurship mentality	Labour Intensive, In few cases knowledge and capital intensive
Market linkage	Self or household ownership of business activities	Government facilitates market and work premises
Consistency of customers	More irregular customers/intermittent	Relatively regular customers; caring behaviour to customers
Quality of products or services	Quality is not a serious matter and most informal operator activities are delivered on a mobile basis	Give consideration to quality relatively, partly structured & some have permanent work location

Source: Field Data (2021)

6.3 CHALLENGES TO THE EFFECTIVENESS OF THE INFORMAL SECTOR

The analysis of the survey data demonstrates that there are several practical issues in both the regulated and unregulated informal sectors that challenge their effectiveness. Financial limitations are the main barriers for the 89% of the informal sector, as stated in Table 6.3. The lack of information and skills to plan their enterprises was cited as a concern by 71.2% of the respondents. The respondents also highlighted a lack of space (83.3%), a lack of clients (74.5%), too much competition (77.9%), and too much control (74.7%) as other significant problems.

TABLE 6.3: MAJOR PROBLEMS RESPONDENTS FACE IN THEIR BUSINESSES

Type of problem faced	Yes		No		Total	
	Numbe	%	Numbe	%	Numbe	%
Lack of space and premises	338	83.3	69	16.7	408	100
Sale of products- lack of customers	304	74.5	104	25.5	408	100
Sale of products - too much	318	77.9	90	22.1	408	100
Financial difficulties (e.g. to get loan)	361	89.0	45	11	405*	100
Lack of machines/ equipment	266	65.2	142	34.8	408	100
Too much control and taxes	304	74.7	103	25.3	407**	100
Lack of skills/training	287	71.2	117	28.8	408	100
Lack of supply of raw materials (quantity or quality)	236	57.8	172	42.2	408	100
Lack of clear policy	244	42.7	264	57.3	408	100

** 3 respondents did not reply to this item ** one respondent did not reply to this item*

Source: Field Data (2021)

Table 6.4 demonstrates that informal sector workers who had difficulties with the supply of raw materials (either in terms of quantity or quality) had lower mean monthly incomes (of 3,039 Birr) than those who did not (4,120 Birr). Those who faced the same difficulty had productive assets of 6,222 Birr compared to 5,828 Birr for their peers.

TABLE 6.4: CENTRAL TENDENCY MEASURES FOR INCOME AND THE ASSET STATUS OF INFORMAL BUSINESS PARTICIPANTS WHO EXPERIENCED PROBLEMS WITH THE SUPPLY OF RAW MATERIALS

Do you experience any problems related to the supply of raw materials?		N	Minimum	Maximum	Mean	Std. Deviation
Yes	Current income	236	250	14000	3039	2932
	What are the current market values of your productive assets?	236	1000	20000	5828	2721
No	Current income	172	230	15000	4120	3263
	What are the current market values of your productive assets?	172	1500	25000	6222	3880

Source: Field Data (2021)

As shown in Table 6.5, businesses that had trouble finding customers for their products made less money on average each month (3 110 Birr) than those who did not have trouble finding customers.

TABLE 6.5: CENTRAL TENDENCY MEASURES FOR THE INCOME AND ASSET STATUS OF INFORMAL BUSINESS PARTICIPANTS WHO REPORTED NOT HAVING ENOUGH CUSTOMERS

DO YOU HAVE TOO FEW CUSTOMERS?		N	MINIMUM	MAXIMUM	MEAN	STD. DEVIATION
Yes	Current income	304	250	14000	3110	2947.4
	What are the current market values of your productive assets?	304	1000	20000	5819	2939.5
No	Current income	104	230	15000	4618	3338.9
	What are the current market values of your productive assets?	104	1500	25000	6507	4031.1

Source: Field Data (2021)

As shown in Table 6.6, there is a substantial revenue gap between individuals who had too much competition to sell their goods (3,315 Birr) and those who did not (4,129 Birr). The average productive asset of the first category, which had a mean asset level of 6,864.4 Birr, was also lower than the average estimate of 5,747 Birr for individuals who did not experience this issue.

TABLE 6.6: MEASURES OF CENTRAL TENDENCY FOR THE INCOME AND ASSET STATUS OF PARTICIPANTS IN INFORMAL BUSINESS WHO REPORTED FACING TOO HEAVY COMPETITION

DO YOU EXPERIENCE TOO MUCH COMPETITION FOR THE SALE OF YOUR PRODUCT/S?		N	MINIMUM	MAXIMUM	MEAN	STD. DEVIATION
Yes	Current income	318	230	14000	3314.9	2902.35
	What are the current market values of your productive assets?	318	1000	20000	5747.8	2997.12
No	Current income	90	390	15000	4129.2	3732.2
	What are the current market values of your productive assets?	90	1500	25000	6864.4	3957.11

Source: Field Data (2021)

6.4 SWOT ANALYSIS

Table 6.7 summarises a SWOT analysis of the informal sector employment as gleaned from the KIIs.

TABLE 6.7: SUMMARY OF STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS

STRENGTHS	WEAKNESSES	OPPORTUNITIES	THREATS
✓ Easy to start ✓ Needless capital to run a business ✓ Own boss and can operate independently. ✓ No time constraint (can work at night or daytime) ✓ Open to personal preference to engage in any activity ✓ Does not require high technology or qualifications ✓ Highly labour intensive	✓ Temporary jobs ✓ No registration of the business ✓ Variability of revenues ✓ Long time for capital development ✓ Shortage of access to financial services ✓ Lack of permanent customers	✓ Cheap labour supply ✓ Diversity of informal business activities ✓ High demand for the sector services by low-income urban families ✓ Diverse legal frameworks to support ✓ Increasing industrial production capability of the city ✓ The potential for export ✓ Local and Indigenous knowledge	✓ Favouritism and Ethnicization ✓ Susceptible to illegality ✓ Lack of inclusive policy practices ✓ Tax evasion, ✓ Underground activities: crime, corruption - ✓ Volatility to political changes ✓ Poor access to services, marketing, and infrastructure

Source: Field Data (2021)

The informal sector in Addis Ababa had several advantages that are listed in Table 6.7, including the ability to create temporary and long-term jobs for the unemployed youth and serve as a social safety net for household members due to its ease of entry and a lack of the need for high-technology qualifications to operate the

business. Additionally, it might lessen household poverty and guarantee food security. When compared to the requirements of the official sector's requirements, it is simple to manage, open to all types of labour, and may be established in a single day.

Their downsides, however, were that the jobs they created were transient, unregistered, and needed substantial capital commitment. Some of the earlier MSEs were dispersed haphazardly around neighbourhoods. The manufacturing and production informal activities had sound, air and water pollution problems that impacted the residential areas.

The KIIs who were regulated informal sector workers confirmed that the time it took to start seeing significant earnings was one of the main drawbacks of starting an informal business, especially for the activities described in Table 6.1. The difficulty is that they still had to take care of themselves and their households as they grew their business. With only a modest profit every day, it was extremely difficult to strike a balance between household demands and business needs. The lack of sufficient funding to launch their businesses had an impact on the scope and rate of expansion of their output. Therefore, the sector's most prevalent shortcoming, was the erratic and fragile nature of the incomes generated. The industry had many inefficient businesses in terms of real-time capital business development due to the unpredictable nature of the income and the lengthy time required to build up savings.

However, according to the government officials who were KIIs, there were possibilities that the informal sector offers that might be used to fuel additional development. As discussed in Chapter two of this thesis, there are energetic young people who are willing to earn low wages in return to find employment and gain experience. Other prospects in the informal sector include pro-informal sector policies that might be put into practice with more city-wide support. As a result,

there is a considerable potential to increase the city's capacity for the industrial output for both export and local consumption.

However, the government office KIIs asserted that there were significant risks in the industry, such as tax evasion and benefit fraud, which reduced state revenue and made it more difficult for the government to pursue measures that benefitted the city.

The KIIs from the non–regulated informal sector disclosed that the favouritism and ethnocentrism of the informal sector were also major issues for the growth of the industry and for the young people who wanted to work there as a safety net against youth unemployment. Low safety and security, as well as vulnerability to any unauthorised item confiscation by authorities or robbers, were frequent threats.

6.5 DETERMINANTS OF THE SUCCESS OF THE INFORMAL SECTOR

Among the respondents to the questionnaire, more than 39% were from Addis Ketema; 31% were from Gulele and 30% were from Yeka Sub-Cities. Nearly 80% of the informal sector workers joined the sector due to unemployment and to look for better opportunities. Therefore, the informal sector served as a safety net for the unemployed youth in Addis Ababa.

The KII participants stated that the Addis Ababa Identification (ID) Card, the age of the head of the household, the gender of the informal sector operator, the person's level of education and skills training, whether the business was regulated or non-regulated, the nature of the working premises, market links, and access to loans were the main factors that shaped the effectiveness of the informal sector in the city. Additionally, KIIs that worked for the government suggested that the informal sector would be successful if it:

- Becomes more flexible in creating employment opportunities for young people.

- Uses local raw materials.
- Generates better incomes and reduce poverty.
- Shortens the time lag between investment and sustainable returns.
- Enhances the potential to transform into the formal economic and business sectors.

In order to determine which variables had a statistically significant impact on the effectiveness of the informal sector in Addis Ababa, the researcher conducted a multinomial regression analysis after determining the success factors from the perspective of the KIIs and reviewing the survey responses. As a result, the researcher created a contingency Table to determine their impact, using income and the level of productive assets as the dependent variable and the major variables that affect the income or asset level given below, as the independent variables.

6.5.1 Addis Ababa's residential identification card (ID)

According to the study, 56.4% of respondents, the vast majority of whom were unregulated, did not have a Kebele ID card. The Ministry of Justice demands that applicants complete a great deal of paperwork as part of the extremely complicated process to receive the Kebele ID card. The leaders then examine a number of documents and scrutinise the applications from a political and ethnic perspective. If everything goes as planned, this takes about 30 working days. However, the process is excruciatingly difficult for migrant workers from the informal economy. Additionally, it is impossible to be identified in the city and targeted for any services without an ID card.

The KII participants acknowledged that to formalise any unregulated informal sector enterprise into an MSE, the Addis Ababa city authority needs an Addis Ababa Kebele ID. Therefore, regardless of how long persons have been working as street vendors or engaging in other unofficial activities in the city, they were

automatically disqualified from participating if they did not possess an ID card. Additionally, having a residential ID card is a necessity for any opportunities in the city, such as participation in social protection programmes, government safety net support, free health insurance, or inclusion in any governmental and non-governmental support, including the ability to continue education at any level or to open a savings account with a bank or other financial institution. Worst of all, as they are regarded as having left their original residential locations, informal workers are not placed on any waiting lists for chances that are available there while they wait for the results of the process in the city.

The policy mandate to limit internal labour migration to prevent further strains on the city's already overcrowded services is the principal justification for the government of the city not issuing an ID card to every in-migrant who arrives in the city.

Table 6.8 shows that there was a sizeable difference in income between people who had an Addis Ababa residency ID card and those who did not. In comparison with individuals without an ID card, those who did, had a mean monthly income of 4 427.6 Birr. The former group received a maximum income of 15 ,000 Birr, which was about twice as much as the latter group's 8 776 Birr. Additionally, there was a 92% disparity in the monthly mean income between the two groups.

TABLE 6.8: CENTRAL TENDENCY OF INCOME WITH AND WITHOUT AN ID

Do you have the Kebele ID card?		No.	Range	Minimum	Maximum	Mean	Std. Deviation
Yes	Current income	230	14,770.0	230.0	15,000.0	4,427.5	3,515.5
	What are the current market values of your productive assets?	230	24,000.0	1,000.0	25,000.0	7,531.3	3,420.5
No	Current income	177	8,526.0	250.0	8,776.0	2,298.6	1,943.2
	What are the current market values of your productive assets?	177	7,000.0	2,000.0	9,000.0	4,015.8	1,536.6

Source: Field Data (2021)

The value of the productive assets also varies significantly between people who have an ID card and those who do not. According to Table 6.8, those with ID cards had a mean value of 7 531.3, while those without one had a mean value of 4 015.8, showing considerable variations in the range of asset level. The computed difference between the two categories was 87.5%. The T-test value in Table 6.9 demonstrates that this income difference is statistically significant.

TABLE 6.9: INDEPENDENT SAMPLES TEST VARIATION

		Levene's test for equality of		T-TEST FOR EQUALITY OF MEANS						
		F	sig.	t	df	sig. (2-tailed)	mean difference	std. error difference	95% confidence interval of the difference	
									lower	upper
Income	Equal variances assumed	92.091	0	7.25	405	0	2,128.90	293.7	1551.5	2706.3
	Equal variances not assumed			7.77	371	0	2,128.90	274	1590.2	2667.7

Source: Field Data (2021)

Thus, it can be concluded that obtaining a city resident permit is one of the crucial factors that affects how effective the informal sector is. The KII participants also testified that the city's ID card system was based on ethnic preferences (discriminatory politics), favouring undocumented employees from the Oromia Region.

6.5.2 Age of the head of the household

Table 6.10 shows that the age brackets of 21 to 23 year and 27 to 28 years were those with the highest earnings. The income level for people aged 21 to 23 years was 3 826 Birr, which was higher than the overall average income of 3 581.1.

The ages 18 to 20 years had a 20% lower income gap than the next category, which was the 21-to-23-year range. The age groups 18 to 20 and 24 to 26 earned less than the group's average earnings as a whole. The age groups with the lowest asset values, at 4,609.6 Birr, were the 18- to 20-year-olds, and the age groups with the highest values, at 7,058 birr, were the 24- to 26-year-olds. Comparably, there is a 27% difference in asset levels between the age groups of 18 to 20 and 21 to 23.

TABLE 6.10: CENTRAL TENDENCY MEASURES OF INCOME STATUS BY AGE GROUP

AGE CATEGORY		N	RANGE	MINIMUM	MAXIMUM	MEAN	STD. DEVIATION
18-20	Current income	136	13740.0	260.0	14000.0	3176.7	2964.0
	What are the current market values of your productive assets?	136	8000.0	2000.0	10000.0	4609.6	2169.5
21-23	Current income	131	14620.0	380.0	15000.0	3826.0	3325.4
	What are the current market values of your productive assets?	131	18500.0	1500.0	20000.0	6336.6	3300.1
24-26	Current income	112	8846	230	9076	3336	2967
	What are the current market values of your productive assets?	112	24000	1000	25000	7058	3871
27-28	Current income	30	11750	250	12000	3986	3350
	What are the current market values of your productive assets?	30	11000	2000	13000	6867	2576

Source: Field Data (2021)

Both the income and the productive asset values followed an age group pattern. However, the difference in income among the group was not statistically significant as can be seen from the ANOVA statistics in Table 6.11.

TABLE 6.11: ANOVA OF CURRENT INCOME

	Sum of Squares	df	Mean Square	f	Sig.
Between Groups	38,174,320.36	3	12,724,773.4	1.313	.270
Within Groups	3,926,332,091	405	9,694,647.14		
Total	3,964,506,412	408			

Source: Field Data (2021)

Therefore, the researcher has found that age is a characteristic that has some influence over the income and asset possession of the informal sector, even though the difference is small with just 500 Birr separating the categories.

6.5.3 Gender of the head of the household

Table 6.12 shows the difference in incomes between male and female informal sector workers.

TABLE 6.12: CENTRAL TENDENCY MEASURES OF INCOME STATUS BY GENDER

		N	RANGE	MINIMUM	MAXIMUM	MEAN	STD. DEVIATION
Male	Current income	212	14770	230	15000	3761	3317
	What are the current market values of your productive assets?	212	24000	1000	25000	6366	3264
Female	Current income	197	13750	250	14000	3194	2866
	What are the current market values of your productive assets?	197	18000	2000	20000	5604	3214

Source: Field Data (2021)

Table 6.12 demonstrates unequivocally that men were better off financially in the informal sector. Males earned an average of 3,731 Birr a month, compared to females' 3,194 Birr. The average income between the male and female groups was statistically significant at the 5% significance level, according to the chi-square test result in Table 6.13. As a result, there was an association between individuals in the informal sector's monthly income and their gender.

TABLE 6.13: CHI-SQUARE TESTS OF INCOME BY GENDER

	Value	df	Asymptotic
Pearson Chi-Square	20.850[a]	4	.000
Likelihood Ratio	22.003	4	.000
Linear-by-Linear Association	4.076	1	.043
No of valid cases	409		

[a] 1 cell (10.0%) have expected count of less than 5. The minimum expected count is 4.82.

Source: Field Data (2021)

The trend for owning productive assets was also the same, with males having an asset worth of 6,366 Birr and females having one of 5,604 Birr, a 12% difference between the two categories. As a result, the researcher draws the conclusion that gender is a crucial issue with implications for the efficacy of the informal sector.

6.5.4 Ethnicity and the informal sector

According to the analysis, the ethnic background of the operators in the city is what accounts for the informal sector's income disparity. Figure 6.1, Tables 6.14, 6.15, and 6.16 show how the monthly income of the city's informal sector workers differed in accordance with various demographics.

With a mean monthly income of 4,084 Birr, the Oromo ethnic group earned the most in the city, followed by other ethnic groupings. The Wolaita ethnic group had the lowest income earners in the city, with a monthly income of 2,758.2 Birr. The 33% disparity in earnings between the highest-earning ethnic group and the lowest-earning group was noteworthy.

According to the results of the chi-square test in Table 6.14, there was a very strong correlation between the informal sector's income and its ethnic heritage. These data support the claims made by Meester and Ezzedine (2021), who contend that covert racial favouritism dominates Ethiopian politics and the country's economy. There is no exception to this rule in the informal sector. According to Meester and Ezzeddine (2021), economic injustices and unemployment are the main causes of Ethiopia's ethnically based unrest.

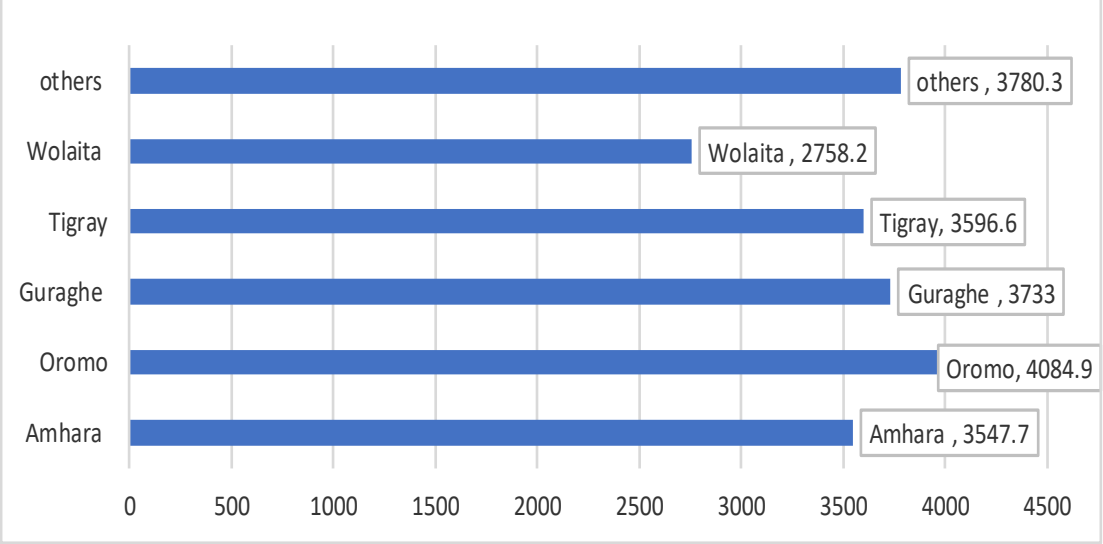

Figure 6.1: Current monthly income of the informal sector by ethnic group

Source: Field Data (2021)

TABLE 6.14: ANOVA OF THE CURRENT INCOME BY ETHNIC GROUP

	SUM OF SQUARES	DF	MEAN SQUARE	F	SIG.
Between groups	86781270	5	17356254	2	0.00
Within groups	3877725142	403	9622147		
Total	3964506412	408			

Source: Field Data (2021)

However, the difference among the ethnic groups was not equal. Table 6.15 shows that ethnic group, as a variable, had the largest mean change observed using LSD statistics.

TABLE 6.15: MULTIPLE COMPARISONS OF INCOME BY ETHNIC GROUP

Ethnicity			Mean Difference (i-j)	Std. Error	sig.	95% Confidence Interval	
						lower bound	upper bound
LSD	Wolaita	Amhara	-789.5	427.2	0.1	-1,629.4	50.3
		Oromo	-1,326.7*	476.5	0.0	-2,263.5	-390.0
		Giraghe	-974.8	506.5	0.1	-1,970.5	20.8
		Tigray	-838.4	550.1	0.1	-1,919.8	243.0
		Other	-1022.1	742.7	0.2	-2,482.2	438.0

Source: Field Data (2021)

The amount of productive asset ownership exhibits the same trend as the variation in income by ethnicity. The gap between the lowest Wolaita asset level, 4,293.2 Birr, and the average Oromo asset level, 7,444.4 Birr, was 42.9% indicating that the Wolaita ethnic group was the most impoverished in the city (see Table 6.16).

TABLE 6.16: CENTRAL TENDENCY MEASURES FOR ASSETS BY ETHNICITY

Ethnicity	Productive assets	Descriptive statistics					
		N	Range	Min	Max	Mean	standard deviation
Amhara	what are the current market values of your productive assets?	108	18500	1500	20000	6180	3628
	what was the value of your productive assets when you first established the business?	109	2000	0	2000	721.1	391
Oromo	what are the current market values of your productive assets?	72	13000	3000	16000	7444	2880
	what was the value of your productive assets when you first established the business?	72	3500	200	3700	1081	3077
Gurage	what are the current market values of your productive assets?	59	12000	2000	14000	5964	3077
	what was the value of your productive assets when you first established the business?	59	11700	300	12000	1044	1499
Tigray	what are the current market values of your productive assess?	46	24000	1000	25000	7309	4384
	what was the value of your productive assets when you first established the business?	46	1750	250	2000	959	486
Wolaita	what are the current market values of your productive assets?	103	8000	2000	10000	4294	1766
	what was the value of your productive assets when you first established the business?	103	1300	200	1500	631	259
others	what are the current market values of your productive assets?	21	6000	3000	9000	5705	1933
	what was the value of your productive assets when you first established the business?	21	1700	300	2000	871	579

Source: Field Data (2021)

As a result, the ethnic background of the workers in the informal sector has a statistically significant impact on the sector's effectiveness as the analysis found that the income differential of the informal sector is attributed to the ethnic background of the operators in the city.

NARRATIVE FROM THE KEY INFORMANT INTERVIEWS 6.1: Ms WT

Ms WT is from the Wolaita Ethnic group. She is 22 years old, has completed Grade 10, married in 2018, and has one child. She has been resident in the Addis Ketema sub-city for the past five years. She sells vegetables and fruit along the roadside, moving from place to place.

She responded:

> *" Life is incredibly difficult here in Addis, as every opportunity is based on your ethnic background. The city government targets those with an Addis Ababa ID card for any opportunity. Who will give us an ID card us who migrated from Southern Ethiopia? Who will give us jobs in the city? Who will give us licences to work? Who will organise us into a regulated modality? Whereas, while we have been here in Addis Ababa for years, someone who comes today from Oromia region gets the Addis Ababa residential permit and will be organised into the MSEs. Are we really Ethiopians? We are harassed, beaten; our goods confiscated, and deprived of our rights and opportunities for employment. They do not regard us as the citizen of Ethiopia. Surely, we are 'stateless.'"*

She added:

> *"A few years ago, despite favouritism in other careers, the informal sector was not so politicised and ethicised and all people in the informal sector community shared similar*

challenges and opportunities. However, nowadays it is different and difficult. Local government bodies with the same ethnic group as the Prime Minister have increased the divide between the ethnic groups. They control the city and extend their ethnically based networks up to the informal sector."

Ms WT told the researcher:

"Nowadays everything is defined and seen from the perspective of ethnicity and used to create a pro-government ethnic, nationalist constituency. Now they do not want us to migrate to the city due to their ethno-nationalist attitudes. Social relationships have been destroyed, and now there is less trust between people."

The narrative illustrates that the fundamental factor for the effectiveness of the informal sector in Addis Ababa is the ethnic background of the informal sector workers. For instance, to get an Addis Ababa ID card from the city, to secure the right to be regulated, to access loans and services of the MSEs agency are all controlled by the kebeles and enforced in an ethnical-biased way. The statistics also confirm that the differential in income of the informal sector is attributed to the ethnic background of the operators.

Furthermore, the length of time since the non-regulated group's business began, are shown in the contingency analysis in Table 6.17.

TABLE 6.17: NUMBER OF YEARS IN THE INFORMAL BUSINESS BY ETHNICITY

HOW MANY YEARS SINCE YOU STARTED THIS BUSINESS		ETHNICITY						TOTAL
		AMHARA	OROMO	GARAGE	TIGRAY	WOLAITA	OTHER	
0-4 years	Regulated	15(30%)	30(60%)	0	4(8%)	192%)	0	50(100%)
	Non-regulated	32(35%)	13(14%)	11(12%)	5(5%)	24(26%)	7(8%)	92(100%)
5-8 years	Regulated	17(18%)	17(18%)		21(14%)	13914%)	6(7%)	92(100%)
	Non-regulated	28(21%)	10(8%)	19(14%)	11(8%)	59(45%)	5(4%)	132(100%)
9-12 years	Regulated	19(42%)	3(7%)	10(22%)	1(2%)	12(27%)	0	45(100%)
	Non-regulated	18(31%)	7(12%)	9(15%)	3(5%)	20(34%)	2(3%)	59(100%)
More than 12 years	Regulated	29 (100%)	0	0	0	0	0	2(100%)
	Non-Regulated	0	0	0	1(33%)	2(67%)	0	3(100%)
Total	Regulated	46(27%)	49(29%)	29(17%)	26(15%)	15(9%)	7(4%)	172(100%)
	Non-Regulated	62(26%)	23(10%)	30(13%)	20(8%)	88(37%)	14(6%)	237(100%)
Total		108	72	59	46	103	21	409

Source: Field Data (2021)

As can be seen from Table 6.17, the Amhara and Oromo ethnic groups dominate the regulated informal sector in Addis. Of the 172 regulated MSEs, in total, 49 are Oromo, 46 Amhara, 29 Gurage, 26 Tigre, 15 Wolaita, and 7 are from other groups. On the other hand, 88 Wolaita and 62 Amhara make up the majority of the 237 unregulated businesses. This demonstrates unequivocally that despite being the largest group in the informal economy, the Wolaita did not have the chance to be regulated. The majority of the Oromo ethnic group received the option to be organised with regard to the regulated status on average for 1.2 years without an extended stay in the non-regulated status, according to a contingency table, by years of business tenure. When comparing this with the others (for example, Wolaita) the average stay in the business without being regulated is around six years.

Consequently, we may draw the conclusion that the ethnicity variable in the city is one of the crucial determining elements that affect the effectiveness of the informal sector.

6.5.5 Education

The findings of the quantitative data show that education had a significant effect on the income and asset possession of the informal sector. According to Table 6.18, the mean income for informal sector employees with primary, secondary, post-secondary, and college degrees was 3,689.8, 3,727.7, 2,778.3, and 3,959.5 Birr, respectively. Although the findings highlight the differences within levels of education, there was a big standard deviation among the same education categories which shows individuals who have equal education levels had very high levels of income difference. For instance, there was a strikingly big gap between the income minimum at 230 birr and the income maximum of 14,500 for those with the same primary school level, demonstrating that other characteristics, rather than education level, were what counted for gaining a larger income.

TABLE 6.18: EDUCATION LEVEL IN RELATION TO INCOME AND ASSETS

CURRENT EDUCATIONAL STATUS		NO	RANGE	MINIMUM	MAXIMUM	MEAN	STD. DEVIATION
Primary	Current income	122	14270	230	14500	3689.81	2751.1
	What are the current market values of your productive assets?	122	17600	2400	20000	5490.16	3142.889
Secondary	Current income	176	14750	250	15000	3727.73	3373.3632
	What are the current market values of your productive assets?	176	19000	1000	20000	6275.0	3397.823
Post-secondary	Current income	101	11620	380	12000	2778.2	2965.4139
	What are the current market values of your productive assets?	101	23500	1500	25000	5951.4	3110.357
College graduate	Current income	10	8195	580	8775.00	3959.5	3491.9593
	What are the current market values of your productive assets?	10	8500	2500	11000	7820.00	2805.075

Source: Field Data (2021)

However, although not a strong association. Table 6.19 shows that the informal sector workers with higher education levels acquired a better income, except for the post-secondary education group. The difference in income between the individuals with a college degree and those with a post-secondary level of education was about 30%. However, the difference between the education categories was not statistically significant at 0.05 % as can be seen from the ANOVA result in Table 6.10.

TABLE 6.19: TUKEY HSD MULTIPLE COMPARISONS FOR EDUCATION CATEGORIES

CURRENT EDUCATIONAL STATUS		MEAN DIFFERENCE (I-J)	STD. ERROR	SIG.	95% CONFIDENCE INTERVAL	
					LOWER BOUND	UPPER BOUND
Primary	Secondary	-37.9	365.4	1	-980.6	904.7
	Post-secondary	911.6	417.3	0.1	-164.9	1988
	college graduate	-269.7	1020.3	1	-2901.7	2362.3
Secondary	Primary	37.9	365.4	1	-904.7	980.6
	Post-secondary	949.5	387.2	0.1	-49.4	1948.3
	college graduate	-231.8	1008.3	1	-2833	2369.4
Post-secondary	Primary	-911.6	417.3	0.1	-1988	164.9
	Secondary	-949.5	387.2	0.1	-1948.3	49.4
	college graduate	-1181.2	1028.3	0.7	-3833.9	1471.4
College graduate	Primary	269.7	1020.3	1	-2362.3	2901.7
	Secondary	231.8	1008.3	1	-2369.4	2833
	Post-secondary	1181.2	1028.3	0.7	-1471.4	3833.9

Source: Field Data (2021)

The higher levels of education also had more resources than the lowest ones. For instance, the productive asset level for primary levels was 5,490 Birr and 7,820 Birr for college graduates. There was a 64% difference between the two groups. Additionally, as they entered the informal sector, there was a change in what they owned in terms of land. For future growth, land is a fixed asset that is extremely crucial. As can be seen from Figure 6.1, there was a tendency for land ownership among informal sector workers to increase as they gained more education.

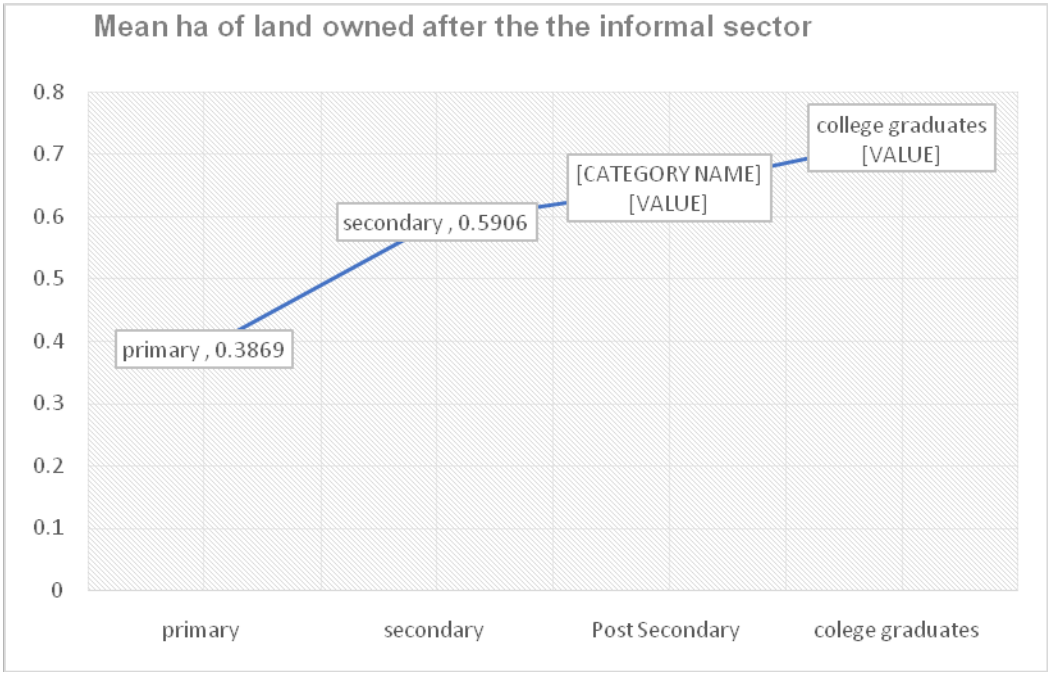

Figure 6.2: Mean hectares of land owned after joining the informal sector

Source: Field Data (2021)

The case below illustrates how the informal sector was supporting education, and how education was also contributing to the growth of income. The role of the informal sector in supporting education is crucial. To reiterate, the role of education in transforming the life of an informal sector worker was proven to be significant in this research. However, the effect of the COVID-19 pandemic on the livelihoods of the informal sector was considerable and needs a thorough study in itself.

NARRATIVE FROM KEY INFORMANT 6.3: SHOESHINE BOY, ET

ET, who is 23 years old, was most recently employed as a shoe shiner at the Gulele Higher Court's entrance. He is a single parent who cares for his mother in a leased home. When ET was in Grade 10, his father passed away in 2013. Because the household could no longer afford his tuition, he established a shoeshine business in 2014 to raise the money. ET told the researcher that his father's long-time friend had helped him start a shoe-shining business outside the court's entrance.

ET used to make 150 Birr per day before the COVID-19 pandemic, but due to lockdowns and the closing of the Court, his daily income fell to 50 Birr. Despite all the challenges he continued his education, and ET received a Diploma in ICT from the TVET centre. Currently, he is working for a company, where he is paid 5,500 Birr per month. He is able to provide for his mother and intends to start working toward a degree in 2022. He gave his eighth-grade brother the reins to his shoe-shining enterprise.

6.5.6 Skills training

The major goal of this theme was to comprehend how skills development affected changes in the income of Addis Ababa's informal sector workers.

TABLE 6.20: SKILLS TRAINING BY INCOME

Have you ever received any business skills training?		n	Range	Minimum	Maximum	Mean	Std. Deviation
Yes	Current income	187	14,770.0	230.0	15,000.0	4,439.7	3,608.1
	What are the current market values of your productive assets?	187	24,000.0	1,000.0	25,000.0	7,543.9	3,479.9
	What is the total ha. of land your parents hold now?	187	2.0	0.0	2.0	0.5	0.5
No	Current income	160	8,740.0	260.0	9,000.0	3,322.2	2,397.8
	What are the current market values of your productive assets?	160	18,000.0	2,000.0	20,000.0	4,585.0	2,475.6
	What is the total ha. of land your parents hold now?	159	9.7	0.0	9.7	0.5	0.8

Source: Field Data (2021)

As shown in Table 6.20, there was an income difference between workers in the informal sector who had received skills training and those who had not received such training. The group that had received training earned more money (4,439.7 Birr) than the group that had not received such training (3,322.2 Birr), and the former group earned 25% more money than the latter.

The possession of productive assets by the two groups demonstrated a similar pattern. When compared to their counterparts, those who had received training had 7,544 Birr, but only 4,585 Birr were owned by them as productive assets. Regarding individuals with skills training, there was a 39% difference between the two groups. Thus, the researcher concluded that skills development affects the informal sector's effectiveness.

6.5.7 Status of being regulated or not

The success of the informal sector was greatly affected by its regulation or the lack thereof. The government provided major assistance to the regulated category in the form of loans, training, business support, employment guarantees, and in other ways.

TABLE 6.21: REGULATORY STATUS OF THE INFORMAL SECTOR

	Frequency	Valid %
Regulated	172	42.0
Non-regulated	238	58.0
Total	410	100.0

Source: Field Data (2021)

Forty-two per cent of the overall respondents to the study stated that their businesses were regulated, while 57.5% stated that they were not regulated.

According to the data on Addis Ababa's regulated informal sector, of the total number of permitted businesses, 75.4% were micro-enterprises, 20.9% were small businesses, and 3.7% were medium- and large-sized businesses.

TABLE 6.22: MEASURES OF CENTRAL TENDENCY FOR THE INFORMALITY AND THE INCOME AND ASSET VALUES

IS YOUR BUSINESS REGULATED OR NOT		N	RANGE	MINIMUM	MAXIMUM	MEAN	STD. DEVIATION
Regulated	Current income	172	14770	230	15000	5347.3	3623.9
	What are the current market values of your productive assets?	172	24000	1000	25000	8482.6	3242.2
	What is the total ha. of land your parents hold now?	171	2	0	2	0.5	0.6
Non-regulated	Current income	237	8650	250	8900	2138	1712.8
	What are the current market values of your productive assets?	237	11000	2000	13000	4196.2	1726.6
	What is the total ha. of land your parents hold now?	237	9.7	0	9.7	0.6	0.7

Source: Field Data (2021)

The relationship between the income of the informal sector and the status of being regulated was statistically significant. As can be seen in Table 6.22, the monthly mean income of the regulated group was 5,347.3 while that of the non-regulated group was 2,138. This gives a difference of over 100% between the two groups. Similarly, as can be seen from the T-test in Table 6.23, the mean income difference between the two groups was statistically significant below 0.05.

TABLE 6.23: INDEPENDENT SAMPLES TEST FOR THE MEAN INCOME DIFFERENCE BETWEEN TWO GROUPS

		Levene's test for equality of variances		T-test for equality of means						
		f	sig.	t	df	sig. (2-tailed)	mean difference	std. error difference	95% ci of the difference	
									lower	upper
Current income	Equal variances assumed	120.7	0	11.925	407	0	3209.2	269.1	2680.2	3738
	Equal variances not assumed			10.774	226.6	0	3209.2	297.9	2622.3	3796

Source: Field Data (2021)

The mean level of productive assets for the regulated group was 8,482.6, while that of the non-regulated group was 4,196, resulting in a 102.5% disparity between the two groups. The average size of the land owned by the regulated group was 0.5 ha, whereas it was 0.6 ha for the non-regulated group.

Below, a KII narrative demonstrates the value of regulating the informal sector in terms of job creation, raising savings, improving operators' quality of life, and dramatically lowering the rate of youth unemployment in urban areas.

NARRATIVE FROM KEY INFORMANT INTERVIEW 6.3: MS DK

Ms DK is originally from Shashamane, in the Oromia Region. She left school after Grade 8 and is now 22 years old. She moved to the city in 2018, due to her household's precarious financial situation.

In Gurara's Yeka 02 Kebele, she runs a roadside shop where she sells tea and bread. She makes between 30 and 50 Birr per day. She sought regulation as an MSE after a year and received an Addis Ababa ID card. She received assistance from the woreda in 2019 and was granted a working location where she currently produces and sells other foods. She has a connection with a nearby youth centre through the kebele, who will provide food for them. She also received a loan for 10,000 Birr. She provided food to a small hotel at the time of the study, which tripled her income and increased her capital to 50,000 Birr. She got married in 2021, and she has plans to grow her company by opening a restaurant in the nearby suburb.

The narrative above demonstrates the life-changing opportunities available in the informal sector once a business is regulated. Once businesses are regulated, the door is opened to receive all the support packages from the government and non-government systems.

6.5.8 Working premises

Table 6.24 indicates that those informal sector workers who had permanent premises, a vehicle, or who used a home as a business premise, had a larger income of on average 6,000 Birr and above. The average income of informal sector workers operating from a mobile location, hawking, or a temporary roadside location was 2,600 Birr, which was significantly less than the prior category. The latter group, however, had better land holdings in their initial towns, than the previous group because they recognised the need of holding land for production.

TABLE 6.24: MEAN INCOME BY TYPE OF PREMISE

ON WHICH TYPE OF PREMISES DO YOU MAINLY CONDUCT THIS BUSINESS ACTIVITY?		No	MEAN
Hawking/mobile/ online	Current income	156	1880
	What is the total ha. of land your parents hold now?	156	1
Temporary roadside	Current income	93	3426
	What is the total ha. of land your parents hold now?	93	1
Permanent roadside	Current income	71	5381
	What is the total ha. of land your parents hold now?	71	0
Vehicle	Current income	14	6408
	What is the total ha. of land your parents hold now?	14	0
Household home	Current income	13	6137
	What is the total ha. of land your parents hold now?	13	0

Source: Field Data (2021)

Figure 6.3 illustrates how the informal sector's level of possession of productive assets and its income situation, were congruent. Accordingly, employees in the informal sector who had more access to a permanent roadside location, their own home had higher productive assets than those who did not have access.

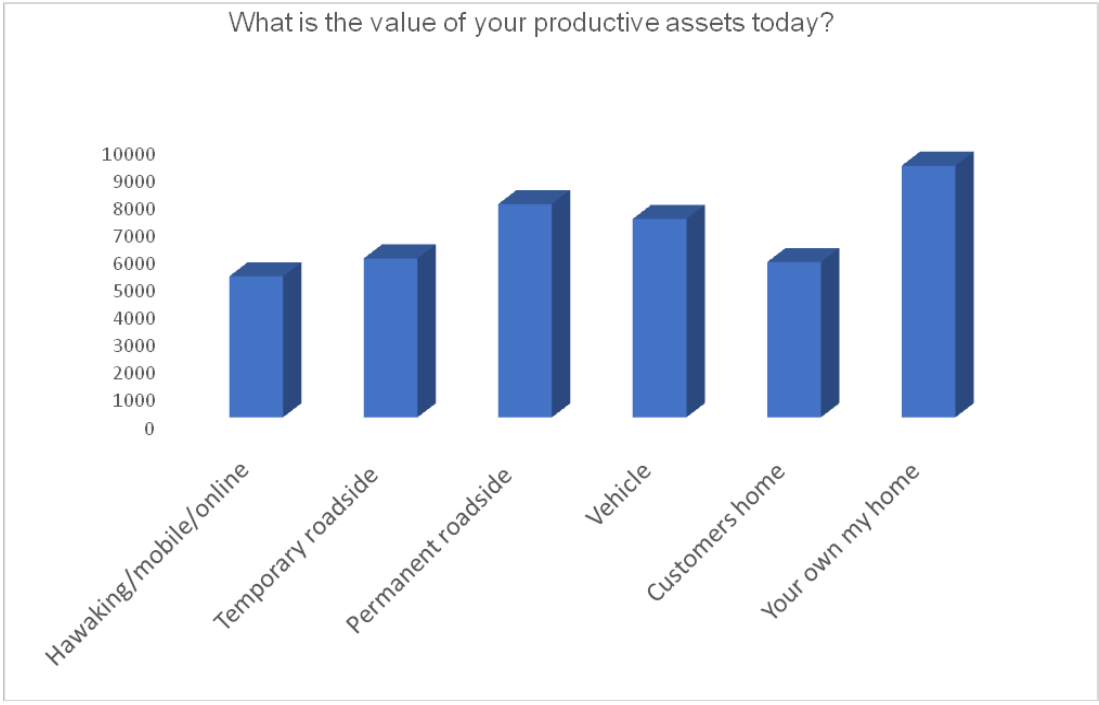

Figure 6.3: What is the value of your productive assets today?

Source: Field Data (2021)

In addition, the ANOVA statistics as shown in Table 6.25, found a level of significance with a p-value of 0.000.

TABLE 6.25: ANOVA OF CURRENT INCOME

	Sum of Squares	df	Mean Square	f	sig.
Between groups	1,011,324,495	8	126,415,562	17	0.00
Within groups	2,842,016,878	381	7,459,362		
Total	3,853,341,373	389			

Source: Field Data (2021)

The ANOVA Tukey HSD statistics indicated that the difference in income of the informal sector workers was significant at below a p-value of 0.005 when compared

to the workers who conducted business activities at hawking/mobile/online sites in contrast with the temporary roadside sites, permanent roadside sites, vehicles, and customers' homes. This shows that the income earned from the latter type of premises was much higher than the hawking sites as can be seen in the negative mean differences depicted in Table 6.26.

TABLE 6.26: MULTIPLE COMPARISONS OF THE ANOVA TUKEY HSD STATISTICS

AT WHICH TYPES OF PREMISES DO YOU MAINLY CONDUCT THIS BUSINESS ACTIVITY?		MEAN DIFFERENCE (I-J)	STD. ERROR	SIG.	95% CONFIDENCE INTERVAL	
					LOWER BOUND	UPPER BOUND
Hawking/mobile/online	Temporary roadside	-1546.79*	357.8	0.001	-2663	-431
	Permanent roadside	-3501.59*	391	0	-4721	-2282
	Vehicle	-4528.15*	762	0	-6905	-2151
	Customers home	-4257.19*	788.4	0	-6717	-1798
	Your own my home	-3019.73*	717	0.001	-5256	-783
Temporary roadside	Hawking/mobile/online	1546.89*	357.8	0.001	431	2663
	Permanent roadside	-1954.70*	430.4	0	-3298	-612
	Vehicle	-2981.35*	783	0.005	-5424	-539
	Customers home	-2710.49*	808.7	0.025	-5233	-187
	Your own my home	-1472.93	739.2	0.55	-3779	833
*. The mean difference is significant at the 0.05 level.						

Source: Field Data (2021)

When comparing each of the working premises individually, the ANOVA result exhibited a high level of significance with a p-value below 0.05, as indicated by the Tukey HSD statistics. This indicated that the revenue generated by each type of property was completely different from each other. This necessitates the implementation of the necessary governmental measures to increase the availability of land and commercial space at competitive pricing.

6.5.9 Access to a loan

The success of the operators in the informal sector was largely dependent on access to financing. The main barriers to borrowing money were asked to be described by the KII participants. According to them, the factors were the informal sector's high mobility and lack of a fixed address, extreme poverty that prevented them from qualifying for formal credit, erratic employment opportunities, such as day labour and street vending, a lack of insurance and collateral to ensure credit repayments, and the extreme volatility and vulnerability of the poor's livelihoods. As shown in Table 6.27, workers in the informal sector who had encountered financial challenges (such as a challenge obtaining a loan) earned less than those who did not have such challenges.

TABLE 6.27: INCOME BY THE ABILITY TO GET A LOAN

DID YOU SUCCEED IN OBTAINING A LOAN?		N	RANGE	MINIMUM	MAXIMUM	MEAN	STD. DEVIATION	VARIANCE
Yes	Current income	58	12650	350	13000	4918.2	2490.6	6202856
	What are the current market values of your productive assets?	58	17600	2400	20000	6275.9	3268.8	1.1
	What is the total ha. of land your parents hold now?	58	2	0	2	0.8	0.5	0.2
No	Current income	54	14600	400	15000	4159.5	3809.7	1.5
	What are the current market values of your productive assets?	54	17500	2500	20000	6792.6	3178.1	1E+07
	What is the total ha. of land your parents hold now?	54	2	0	2	0.3	0.4	0.2

Source: Field Data (2021)

With mean monthly income levels of 4,918.2 and 4,159.56 Birr respectively, the results in Table 6.27 demonstrate that informal sector operators who received loans had advantages over those who did not receive them. Similarly, the 0.8 total ha of land that those informal sector workers who got a loan, were two times higher than those who did not get a loan, indicating that the loans and income that the regulated workers got, was spent on purchasing land. However, the difference in productive assets was not significant as the non-regulated group had slightly more assets than those who got a loan. Hence, the researcher concludes that access to a loan is one of the decisive factors that impact the success of the informal sectors in Addis Ababa. As a result, the researcher draws the conclusion that having access to credit was one of the key elements influencing Addis Ababa's informal economy's development.

NARRATIVE FROM KEY INFORMANT 6.4: MR MK

Mr. MK was born in Addis Ababa. In 2013, he received a TVET Level II in Construction Technology at the age of 26. He serves as vice chair of Electric Stoves Construction, a regulated MSE founded in 2015 by a group of ten TVET graduates from Arada Industrial College. The Addis Ketema sub-MSE city's office, which is next to the Merkato Bus station, organises them.

After being unemployed in Addis Ababa for more than two years, Mr MK continued working in this industry with the encouragement of his friends and parents. He comes from a low-income household where his mother is a stay-at-home spouse who occasionally makes money from petty trade to help the household’s income. His father is a mason.

The household's food security has improved because of Mr. MK’s high income. To the researcher’s surprise, he did, however, admit that he has problems that limit his effectiveness and keep him at the subsistence level. The lack of office space and a market for the goods are the main causes. The group could only work from the

residences of three friends as a result. They went to the government coordination office to request a better location, but they got no help.

> *"The system favours those people who have family in the administration, and the poor are frequently ignored", stated Mr MK. Furthermore, some people pay bribes to obtain resources and help because the system is so crooked. Additionally, loans are unavailable to MSEs in the construction industry due to the greater capital requirements, extended loan repayment terms, and higher investment capital. From the Addis Saving and Credit S.C., we requested a loan. But the response was unfavourable. They contend that the MFI can host three to five MSEs who engage in an informal industry other than building. Another reason for denying a loan is a history of defaulted loans in the construction industry."*

Mr MK added that any candidate coming from an unofficial construction business finds it incredibly challenging to make the switch to formality. The MSE now has an investment capital of 50,000 Birr, but the capital needed to become a formal small enterprise is 150,000 Birr. As a result, the local government's policy climate is completely unfavourable for the construction industry. Their long-term goals are to either leave or start a new company, or to form a joint venture with other comparable MSEs in their district.

The above narrative shows the importance of having working premises. This also substantiates the findings from the quantitative data. The government favoured some sectors and discouraged MSEs engaged in construction activities despite the fact that they had listed it as one of the priority areas to organise and support, as can be seen from Table 6.1. Moreover, the case also shows that the system was fraught with nepotism, corruption, and favouritism. Hence, future research into the factors that determine the effectiveness of the informal sector should go beyond

this study to home in on behaviour, working modalities, political influences, social ties, and other unforeseen variables.

6.5.10 Market linkage

The revenue differences caused by market connections were explored by the researcher, and the researcher found that they supported enterprises strongly that were linked to the market.

TABLE 6.28: PERCEIVED LACK OF ACCESS TO MARKETS

DO YOU EXPERIENCE PROBLEMS RELATED TO MARKET ACCESS?		N	MINIMUM	MAXIMUM	MEAN
Yes	Current income	310	230.00	15000.00	3679.14
	What are the current market values of your productive assets?	310	2000	20000	5575.48
No	Current income	91	250.00	14500.00	3033.022
	What are the current market values of your productive assets?	91	1000	25000	7497.80

Source: Field Data (2021)

From Table 6.28, it is clear that the market was not a big issue for the informal sector. Contrary to the expectations, the current income was 3,679.14 Birr for those who expressed a lack of market linkages. This is higher than the current income of those who did not (3,033.02 Birr) express a lack of market linkages. However, the value of the productive assets of those who faced market linkage problems was lower than of those who did not face market linkage problems. In addition, the T-statistics in Table 6.29 did not show any income significance among the groups as the p-value exceeded 0.05.

TABLE 6.29: INDEPENDENT SAMPLES TEST BETWEEN THE CURRENT INCOME AND MARKET LINKAGES

		levene's test for equality of variances		T-TEST FOR EQUALITY OF MEANS						
		f	sig.	t	df	sig. (2-tailed)	mean difference	std. error difference	95% confidence interval	
									lower	upper
Current income	Equal variances assumed	0.9	0.3	1.7	399	0.1	646.1	372	-85.3	1377.5
	Equal variances not assumed			1.7	138.6	0.1	646.1	387.7	-120.5	1412.8

Source: Field Data (2021)

6.6 MULTINOMIAL REGRESSION

Having established the importance of the informal sector in the lives of the unemployed youth in Addis Ababa City, it was important to investigate the possible key factors that influenced the effectiveness of the informal sector to become a successful safety net for the unemployed youth in Addis Ababa. Effectiveness in this study was assessed in terms of an increase in the outcome variable, which in this case, was the quantity of monthly income obtained through informal sources. The values of this outcome variable are displayed in Table 6.30 below and are ordinal or ordered categorical.

TABLE 6.30: MONTHLY INCOME FROM THE INFORMAL SECTOR: FREQUENCY AND PERCENTAGE DISTRIBUTION (IN ORDERED CATEGORIES)

Case Processing Summary

		N	Marginal percentage
Abridged income category	1000-5,000	296	72.8%
	5,001-10,000	103	25.4%
	Above 10,000	7	1.7%
Valid		406	99.0%
Missing		3	0.1%
Total		409	100%
Sub-population		132[a]	

[a] The dependent variable has only one value observed in 132 (100.0%) Sub-populations.

Source: Field Data (2021)

The multinomial logistic procedure was used in this study to identify factors that influenced the successful engagement of unemployed youth in the informal sectors. As seen in Tables 6.31 and 6.32, the model fitting, and goodness-of-fit were checked for this reason.

TABLE 6.31: MULTINOMIAL LOGISTIC MODEL FITTING INFORMATION

Model Fitting Information

	Model fitting criteria	Likelihood ratio tests		
Model	-2 Log likelihood	Chi-Square	df	Sig.
Intercept only	223.848			
Final	65.268	158.580	20	.000

Source: Field Data (2021)

The model's parameters, for which the model fit was calculated, are shown in Table 6.31. "*Intercept Only*" refers to a model that merely fits an intercept to predict the outcome variable without accounting for any predictor variables. On the other hand, the term "*Final''* in the Table 6.31 describes a model that includes the specified predictor variables and has been arrived at using an iterative process that maximises the log likelihood of the outcomes observed in the outcome variable. The "*Final*" model should improve the "*Intercept only*" model by including the predictor variables and maximising the log likelihood of the outcomes shown in the data. The differences in the -2 (Log likelihood) values associated with the models show this.

The null hypothesis, which states that all the regression coefficients in the model are equal to zero, is expressed as the probability of getting an LR test statistic that will be as extreme as or more extreme than the observed statistic. In other words, this is the probability of obtaining a chi-square statistic of 158.58, or more, if there is no effect of the predictor variables. This p-value is compared with an alpha level that has been set at 0.05. The LR test's small p-value of 0.001 thus leads the researcher to conclude that at least one of the model's regression coefficients was not equal to zero. The degrees of freedom in the preceding column define the parameter of the chi-square distribution that was used to test the null hypothesis.

TABLE 6.32: MODEL FITTING INFORMATION: GOODNESS-OF-FIT

Goodness-of-Fit

	Chi-Square	Df	Sig.
Pearson	151.316	242	1.000
Deviance	65.268	242	1.000

Source: Field Data (2021)

The researcher inferred from the goodness-of-fit table that the data fitted the model well because the p-value (1.00) was statistically significant.

TABLE 6.33: PSEUDO R-SQUARE OF THE MODEL

Cox and Snell	.668
Nagelkerke	.846
McFadden	.708

Source: Field Data (2021)

A pseudo-R-squared only has meaning when compared to another pseudo-R-squared of the same type, on the same data, and predicting the same outcome. In this situation, a model with a higher pseudo-R-squared indicates better prediction of the outcome. Overall, the pseudo-R-square in three cases was larger than 0.2, which indicated that the data described the model well.

TABLE 6.34: RESULTS OF THE LIKELIHOOD RATIO TESTS

Likelihood ratio tests

	Model fitting criteria	Likelihood Ratio Tests		
Effect	-2 Log Likelihood of reduced model	Chi-Square	df	Sig.
Intercept	98.427	33.159	2	.000
Ethnicity of respondent	84.506	19.238	2	.000
Work regulated or not	119.278	54.010	2	.000
Held kebele ID card	81.075	15.807	2	.000
Type of business premises	82.406	17.138	2	.000
Got a business loan	20.165	20.165	2	.000
Number of current children	81.429	16.161	2	.000
Gender	86.511	21.243	2	.000
Current educational status	93.920	28.651	2	.000
Age of respondent	67.458	2.190	2	.335
Number of problems experienced	65.433	.165	2	.921

Source: Field Data (2021)

The chi-square statistic is the difference in -2 log-likelihoods between the final model and a reduced model. The reduced model is formed by omitting an effect from the final model. The null hypothesis is that all parameters of that effect are 0.

The fitted multinomial logistic model produced important results. The likelihood ratio tests were the first sets of findings. Eight of the ten variables that were fitted into the model were shown to be significantly associated with the category income. In Table 6.34, the test for statistical significance (p-values) is presented.

The variables age (categorised) and problem faced were not statistically significant, as shown in the likelihood ratio test Table, as their p-values (0.335 and 0.921, respectively) were higher than 0.05. On the other hand, the following variables had a statistically significant association with income:

- Total number of dependents/children.
- Ethnicity.
- Gender.
- Holding an Addis Ababa ID card.
- Current educational status.
- Type of business premises.
- Whether the business has received a loan.
- Whether the business is regulated or not.

TABLE 6.35: RESULTS OF THE PARAMETER ESTIMATES

Parameter Estimates									
Abridged income Category[a]		B	Std. Error	Wald	df	Sig.	Exp(B)	95% Confidence Interval	
								Lower Bound	Upper Bound
5001-10000	Intercept	14.37	3.645	15.541	1	0			
	Ethnicity	0.807	0.374	4.646	1	0.031	2.241	1.076	4.667
	Regulated/non-regulated	-4.988	1.092	20.856	1	0	0.007	0.001	0.058
	kebelel ID card(yes/No)	-6.86	2.644	6.734	1	0.009	0.001	0	0.187
	type of premises	0.831	0.255	10.617	1	0.001	2.297	1.393	3.787
	Obtained Loan	-0.443	0.429	1.066	1	0.302	0.642	0.277	1.489
	Current No of childrens	-0.773	0.259	8.877	1	0.003	0.462	0.278	0.768
	Gender	-1.533	0.734	4.368	1	0.037	0.216	0.051	0.909
	current educational	-0.307	0.475	0.417	1	0.519	0.736	0.29	1.867
	Age_CAT	-0.654	0.457	2.048	1	0.152	0.52	0.212	1.274
	Problem Faced9	-0.295	0.725	0.166	1	0.684	0.744	0.18	3.082
Above 10000	Intercept	-6.541	0	.	1	.			
	Ethnicity	-47.033	16205	0	1	0.998	0	0	.[b]
	Regulated/non-regulated	-115.7	0	.	1	.	0	0	0
	kebelel ID card(yes/No)	-30.018	0	.	1	.	0	0	0
	type of premises	12.049	7735.2	0	1	0.999	170942	0	.[b]
	Obtained Loan	16.062	20556	0	1	0.999	9	0	.[b]
	Current No of children	61.647	16282	0	1	0.997	6	0	.[b]
	Gender	-179.23	0	.	1	.	0		
	current educational	2.393	0.925	6.7	1	0.01	10.948	1.788	67.032
	Age_CAT	21.203	15555	0	1	0.999	2	0	.[b]
	Problem Faced9	-34.449	52527	0	1	0.999	0	0	.[b]
a. The reference category is: 1000-5000.									
b. Floating point overflow occurred while computing this statistic. Its value is therefore set to system									

Source: Field Data (2021)

The multinomial logit model estimates k-1 (3-1=2) models, where k is the number of levels of the outcome variable. This is an important aspect of the model. Assuming an income category of 1,000 to 5,000 Birr as the reference group in this case, SPSS calculated models for incomes of 5,001 to 10,000 (Birr) and for incomes of greater than 10,000 Birr relative to this referent category. Therefore, since the parameter estimates were relative to the reference group, the standard interpretation of the multinomial logit was that for a unit change in the predictor variable, the logit of outcome *m* relative to the referent group was expected to change by its respective parameter estimate (which was in log-odds units) if the variables in the model were held constant.

6.6.1 Intercept

This was the multinomial logit estimate for income group 5,001 to 10,000 Birr relative to the income group 1,000 to 5,000 Birr when the predictor variables in the model were evaluated at zero. The logit for the income group 5,001 to 10,000 Birr compared to the income group 1,000 to 5,000 was 14.37 for all variables evaluated at zero.

6.6.2 Ethnicity

Given that the other model variables were held constant, this was the multinomial logit estimate comparing ethnic groupings for a one unit increase in ethnicity score for income group 5,001 to 10,000 Birr relative to income group 1,000 to 5000 Birr. The multinomial log-odds for income group 5001 to 10,000 Birr relative to income group 1,000 to 5,000 Birr would be predicted to increase by 0.807 units while holding all other model variables constant if subjects increased their ethnicity scores by one point. However, given that the other factors in the model were kept constant, the multinomial logit estimate for a one unit increase in the ethnicity score for the income group above 10,000 Birr relative to the income group 1,000 to 5,000, was not significant with the p-value exceeding 0.005.

6.6.3 The business' status as regulated or non-regulated

Given that the other model variables were kept constant, this was the multinomial logit estimate comparing the regulated to non-regulated status of operators in the informal sector for income group 5,001 to 10,000 Birr in comparison to income group 1,000 to 5,000 Birr. The multinomial log-odds of income group 5,001 to 10,000 Birr relative to income group 1,000 to 5,000 Birr, would be expected to decrease by almost five units while holding all other variables in the model constant, if the regulated score was to increase its score by one point.

However, given that the other variables in the model were kept constant, the multinomial logit estimate for a one unit increase in the regulated to non-regulated score for the income group above 10,000 Birr relative to the income group 1,000 to 5,000 Birr was not significant with a p-value above 0.05.

6.6.4 Having an Addis Ababa Kebele ID Card

Given that the other model variables were kept constant, this was the multinomial logit estimate comparing having an Addis Ababa ID card to not having one for income groups 5,001 to 10,000 Birr relative to income groups 1,000 to 5,000 Birr. In this case, given that all the other predictor variables in the model were kept constant, the multinomial logit for not having an ID card compared to having one decreased by -6.86 for each unit increase in the having an ID card score for income categories 5,001 to 10,000 Birr compared to income categories 1,000 to 5,000 Birr.

However, given that the other variables in the model were kept constant, the multinomial logit estimate for a one unit increase in the Addis Ababa ID card score for the income group above 10,000 relative to the income group 1,000 to 5,000 Birr, was not significant with the p-value exceeding 0.005.

6.6.5 Premise type

This was the multinomial logit estimate for a one unit increase in a type of premise score for income group 5,001 to 10,000 Birr relative to income group 1,000 to 5,000 Birr given the other variables in the model are held constant. If a subject were to increase its score by one point, the multinomial log-odds for income group 5,001 to 10,000 relative to income group 1,000 to 5,000 would be expected to increase by 0.831 units while holding all other variables in the model constant. However, given that the other variables in the model were kept constant, the multinomial logit estimate for a one unit increase in the type of premises score for the income group above 10,000 Birr relative to the income group 1,000 to 5,000 Birr was not significant with a p-value above 0.005.

6.6.6 Loan access

This was the multinomial logit estimate for a one unit increase in obtaining a loan score for income group 5,001 to 10,000 Birr relative to income group 1,000 to 5,000 Birr, given the other variables in the model were held constant. The multinomial logit for no loan relative to having loan increased by 0.44 for income category 5,001 to 10,000 Birr relative to income category 1,000 to 5,000 Birr given all the other predictor variables in the model were kept constant. However, the variable loan was not statistically significant, since it had a larger p-value (0.302). The same was true for the income group above 10,000 Birr.

6.6.7 Number of children

This was the multinomial logit estimate for a one unit increase in the number of children score for income group 5,001 to 10,000 Birr relative to income group 1,000 to 5,000 Birr given that the other variables in the model were held constant. If subjects were to increase their scores by one point, the multinomial log-odds of for income group 5001 to 10,000 Birr relative to income group 1,000 to 5,000 Birr, would be expected to decrease by 0.77 units while holding all other variables in

the model constant. However, given that the other model variables were kept constant, the multinomial logit estimate for a one unit increase in the number of children score for the income group above 10,000 Birr relative to the income group 1,000 to 5,000 Birr was not significant with a p-value above 0.005.

6.6.8 Gender

This was the multinomial logit estimate comparing females to males for income category 5,001 to 10,000 Birr relative to income category 1,000 to 5,000 Birr given the other variables in the model were held constant. The multinomial logit for males relative to females was unit-1.554 lower r for income category 5,001 to 10,000 relative to income category 1,000 to 5,000 given all other predictor variables in the model were held constant.

However, for the income group above 10,000 Birr, relative to 1,000 to 5,000 Birr, the multinomial logit estimates for a one unit increase in gender status score for income group above 10,000 Birr relative to income group 1,000 to 5,000 Birr given the other variables in the model were held constant was not significant with a p-value of above 0.005.

6.6.9 Current educational status

This was the multinomial logit estimate comparing the education status for the income category 5,001 to 10,000 Birr, relative to the income category 1,000 to 5,000 Birr, given the other variables in the model were held constant. The multinomial logit for higher education status relative to lower education status score -0.307 units lower for income category 5,001 to 10,000 Birr relative to income category 1,000 to 5,000 given all other predictor variables in the model were held constant. However, this was not statistically significant for the income group above 10,000 Birr relative to the income group 1,000 to 5,000 Birr, given the other variables in the model, as the p-value was higher than 0.005. However, the multinomial logit for higher education status relative to lower education status score

2.39 units higher for the income category above 10,000 Birr, relative to income category 1,000 to 5,000 Birr given all the other predictor variables in the model were held constant.

6.6.10 Age

This was the multinomial logit estimate for a one unit increase in obtaining the age score for income group 5,001 to 10,000 Birr relative to income group 1,000 to 5,000 Birr, given the other variables in the model were held constant. The multinomial logit for the higher age category relative to the lower age group decreased by -0.654 for the income category 5,001 to 10,000 Birr, relative to the income category 1,000 to 5,000 Birr, given all the other predictor variables in the model were held constant. However, the variable age was not statistically significant for both income categories, since it had a larger p-value (0.302).

6.6.11 Problems faced

This was the multinomial logit estimate for a one unit increase in facing the problem of the market linkage score for income group 5,001 to 10,000 Birr, relative to the income group 1,000 to 5,000 Birr, given the other variables in the model were held constant. The multinomial logit for facing more problems relative to facing lower problems decreased by -0.295 for the income category 5,001 to 10,000 Birr, relative to the income category 1,000 to 5,000 Birr, given all the other predictor variables in the model were held constant. However, the variable problems faced were not statistically significant since it had a higher p-value. The same was true for the income group above 10,000.

TABLE 6.36: MULTINOMIAL LOGISTIC REGRESSION MODEL CLASSIFICATION TABLE

Observed	Predicted			
	1,000-5,000	5,001-10,000	Above 10,000	Percent Correct
1,000-5,000	84	6	0	93.3%
5,001-10,000	3	46	0	93.9%
Above 10,000	0	0	5	100.0%
Overall percentage	60.4%	36.1%	3.5%	93.8%

Source: Field Data (2021)

The classification statistics indicated in Table 6.36 had been used to determine which groups were best predicted by the model. Because the first income group 1000-5000 were predicted by 93.3% in the model, the 5,001-10,000 Birr group by 93.9% and the category above 10,000 by 100% Birr and overall, the model correctly predicted 93.8% of the variance.

6.7 CONCLUSION

The findings supported the ideas expressed in the literature review that non-regulated and regulated MSEs differed in terms of activity kinds, formality level, tax payment status, the working environment, the technology employed, market connections, and the calibre of goods or services sold. The possession of an Addis Ababa ID card, the age, ethnicity, gender, and level of education of the head of the household, the skills training received, the status of being regulated or not, the type

of working premises, market connections, and loan access were all confirmed as factors affecting the effectiveness of the informal sector.

The SWOT analysis results showed that informal businesses that were labour-intensive, offered flexible working hours, were simple to start, required little cash to get off the ground, and gave the owner some degree of corporate autonomy. The weaknesses were that these were frequently only temporary jobs, that there was no business registration, that revenues fluctuated greatly, that capital development took a long time, that these offered no institutional incentives, that access to financial services was poor, and that it was frequently impossible to develop a permanent customer base.

However, the informal sector created chances for young jobless people by absorbing cheap labour, by providing diversity, being highly sought after by urban low-income earners, having some legal protection, and boosting the city's capacity for industrial production and exports. However, at the same time, this industry was beset by problems, such as favouritism and an ethnic bias, illegality, a lack of a policies that included everyone, issues with tax evasion, avoiding labour regulations, crime, corruption, and sensitivity to political changes, as well as poor access to services, poor marketing, and inadequate infrastructure.

The information in this chapter demonstrated how issues with the availability of raw materials posed problems for employees in the informal sector (quantity or quality). Similarly, the lack of clients was a related problem. Furthermore, the study also indicated differentials in income due to key variables that have significant influence on the informal sector operation in the city. Accordingly, individuals without Addis Ababa Kebele ID card, had a mean monthly income of 4427.6 Birr which is less than by two times that of individuals with the card. Similarly, there is a 27% difference in asset levels between the age groups of 18 to 20 and 21 to 23. Also, males earn on average 3,731 Birr a month, compared to females' income of 3,194 Birr. Ethnically, the asset level between the lowest group, that is Wolaita, and the

highest group, that is Oromo was 42.9% indicating that the income variation goes with their background. The mean income for informal sector employees with primary, secondary, post-secondary, and college degrees was 3,689.8, 3,727.7, 2,778.3, and 3,959.5 Birr, respectively. The group that had received training earned more money (4,439.7 Birr) than the group that had not received such training (3,322.2 Birr). The monthly mean income of the regulated group was 5,347.3 while that of the non-regulated group was 2,138. The informal sector workers who had permanent premises, a vehicle, or who used a home as a business premise, had a larger income of on average 6,000 Birr and above than those who had not. Informal sector operators who received loans had an advantage over those who did not receive a loan with mean monthly income levels of 4,918.2 and 4,159.56 Birr respectively.

According to the results of the multinominal regression model, the bio-demographic characteristics of workers in the informal sector (specifically, age, years since starting the business, total number of dependents, ethnicity, religion, marital status, and educational status) had a significant impact on their success in terms of income. Beyond this, having an Addis Ababa ID card, the sort of business, the location, and obtaining financing are also factors that affect the performance of the informal sector in the study area.

CHAPTER 7: THE PATHS OF EFFECTIVE INTEGRATION OF THE INFORMAL SECTOR INTO THE FORMAL SYSTEM

7.1 INTRODUCTION

The third research question, which examined how successfully employees from the informal sector may be incorporated into the formal system for the goal of development, is covered in this chapter. By evaluating the current policy framework, the requirements for transformation into the formal sector, and the employees' desire to be integrated into the system, it attempts to address this subject. Accordingly, three crucial avenues for integrating the informal into the formal sector have been identified as a result of qualitative interactions with the KIIs.

Each path's concept is interpreted in terms of the expected support from the government compared to the efforts of people in the informal sector. As a result, there are three possible outcomes:

- Integrated multidimensional support from the government with moderate efforts from non-regulated informal sector workers.
- Moderate support from the government and more efforts from individuals.
- Natural metamorphosis with little support from government and more efforts from individuals through social capital. The details of these paths are analysed below.

7.2 THE EXISTING POLICY CONTEXT OF ETHIOPIA'S INFORMAL SECTOR

The MSE Coordination office has been organising people with different skills into individual business and cooperatives by creating job opportunities and providing

various supportive services in coordination with other stakeholders to create a favourable environment for the growth of the sector. The Table below depicts the roles and responsibilities of the MSEs' council or steering committee for MSEs development.

TABLE 7.1: ROLES AND RESPONSIBILITIES OF THE GOVERNMENT STAKEHOLDERS

Stakeholders	Roles and Responsibilities
MSE's Development Bureau	Premises support, market linkage, counselling service, business plan development.
Micro Finance Institution	Loan provision, saving service, awareness creation on saving, and consultation.
TVET Institutes	Provision of technical and business management training, Technology development TVET Centres.
The cooperative office	This office does organising and licensing.
Addis Ababa Communication Bureau	Communicate with the community on the development of MSEs, promote and expand the best practices
Addis Ababa Trade & Industry Bureau	Licensing, investment licensing, support transformed enterprises from MSEs to medium & large-scale industry
Addis Ababa Design & Construction Bureaus	Design and construct MSEs' working sheds and buildings, market linkage to MSEs engaged in construction
Addis Ababa Women and Youth Affairs Bureau	Attitude changes towards working habits, MSEs' benefits & role, finance support to women, and the youth
Sub-city administration	Decides on working space and marketing depending on the size of the available land by assigning four square metres per person for a monthly fee of 100 Birr /m2.

Source: Field Data (2021)

The KII respondents agreed that almost all the initiatives that had been operational during the previous government had been scaled back, despite the fact that there were a number of appealing policy frameworks and plans on the back burner. The development of new MSEs or the growth of existing MSEs has not been successfully facilitated by the macro-level frameworks. Specific support

programmes that once operated effectively in the areas of providing workspaces, facilitating access to finance, providing incentives, promoting partnerships, training for business skills development, access to appropriate technology, access to the market, access to information and advice, infrastructure, and institutional strengthening have been discontinued or have turned into forms of ethnic discrimination.

7.3 CRITERIA FOR TRANSFORMATION INTO FORMAL SECTOR

As indicated at the table 5.2, it is interesting to note that 31.5% of the total sectors examined were in the commerce subsector, 31.5% were in the production subsector, and 37% were in the service subsector. Out of the total 409 workers in the informal sector, 172 came from regulated categories and 237 from unregulated ones. The KII has emphasised that converting the unregulated informal sector into a regulated sector has real benefits. For this reason, the government has established common standards for transition, which include:

- Quality of services or products delivered by the informal sector.
- Amount of capital to enhance investment.
- The level of saving and profitability of the business.
- Technology used and level of skill applied.
- Potential of the business to grow into the manufacturing industry.
- Qualification of the members of the business.
- Level of business innovativeness.
- Serving capacity and number of customers using the product delivered.
- Level of investment capital.
- Potential for easily access bank services and financial loans to grow.
- Social adaptability and environmentally friendly nature of the business.
- Low human health hazards and low nuance or noise.
- Ability of the operators to lobby government and others.
- High economies of scale on investment return.

- Furthermore, the KII participants responded with the major advantages of the informal sector business:
- A source of serving as a social safety net.
- Easy market entry and easily adaptable.
- Need low startup capital.
- Employability of youth.
- Need the low level of skills.
- Bridge the labour supply gap in the labour market and the economy.
- Have the potential to mitigate household poverty and ensure food security.
- Source of investment and economic growth.
- Adds innovative opportunities, easy to manage compared to the formal.
- The disadvantages are:
- Fragility and unpredictability of the incomes.
- Lower social recognition.
- Low level of institutional support.
- High variability of revenues generated day after day.
- Lack of legal protection and vulnerability to any informal confiscation of the capital by legal bodies or by criminals.
- Congested roadside businesses in the city impacting general traffic safety.
- Tax avoidance results in a loss of state revenue.

7.4 WILLINGNESS TO BE INTEGRATED INTO THE FORMAL SYSTEM

Most workers in the informal sector want to be incorporated into the formal system and do not want to stay in the informal sector forever. Furthermore, as indicated at the table 7.2, nearly 92% of the survey respondents claimed they wished to formalise their business, while 3.5% wanted to keep it informal, and the remaining respondents wanted to diversify.

TABLE 7.2: FREQUENCY AND PERCENTAGE OF THE INFORMAL SECTOR BUSINESS OWNERS EXPRESSED THEIR FUTURE PLAN

What is your future plan for your business?		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Formalization	376	91.9	91.9	91.9
	Continue as informal	14	3.5	3.5	95.4
	Diversification	19	4.6	4.6	100
	Quitting	0	0	0	100
	Other (specify)	0	0	0	
Total		409	100	100	100

Source: Survey (2021)

In follow-up questions, the respondents who were considering formalising their businesses were asked whether they had applied for bank loan. As indicated on the table 7.3, out of the total, 27.1% had not applied for formalisation, compared to 72.9%.

TABLE 7.3: FREQUENCY AND PERCENTAGE OF INFORMAL SECTOR BUSINESS OWNERS APPLIED FOR THE BANK LOAN

Have you applied for the bank loan?		**Frequency**	**%**
Valid	Yes	102	27.1
	No	274	72.9
	Total	376	100
Missing	No response	0	0
Total		**376**	**100**

Source: Survey (2021)

Those who had applied for formalisation were asked if they had a Kebele ID card, of which, 21.5% replied that they did have a Kebele ID card, whereas 78.5 % did not. Among the respondents who were considering formalisation,72.6% had talked to the authorities.

The major justification for not registering for formalisation mentioned was ethnic prejudice and having to face many difficult processes. The KII participants list several advantages to formalisation, including relief from police harassment, freedom from discrimination, assurance of safe working and health conditions, acquisition of a permanent location for business operations, access to credit, connections with access to larger markets, and others. To achieve this, the KII participants emphasised the significance of institutional support as one of the elements that aided in the shift. Often, for the regulated informal sector to develop into the formal sector, the local government must provide legal business recognition. The capacity of the informal sector to transition into the formal sector more quickly is strengthened by the help provided by CBOs and CSOs.

The KII respondents stated that having clear business ideas and vision, having an entrepreneurial mentality, having the ability to transform skills and technology, and having the perseverance of the individual were the key factors that had a pivotal effect on transforming the informal to formal economy. All these factors will require further psychological research in the future. The government's assistance to organised MSEs mostly consists of providing working space at the lowest possible rental rates, product display centers, business training, counselling services, loan provision, and market linkage, access to technology, exhibits, and bazaars. This mostly applies to so-called growth-oriented businesses (such as those in manufacturing, construction, services, commerce, and urban agriculture), which have sizeable markets, job potential, businesses that use local raw resources, and the ability to reduce poverty.

7.5 ANALYSIS OF THE THREE PATHS TO INTEGRATE THE INFORMAL SECTOR INTO THE FORMAL SYSTEM

Each of the three paths used to integrate the informal sector into formal sector has their own specific interventions, level of interventions, signs of interventions and impacts expected from the pathways The researcher has elucidated this in detail in the following sections.

7.5.1 Identifying the three paths

It has been determined from the qualitative data gathered that at least three routes lead to the informal sector's integration into formal processes. These three options are:

- Integrated multidimensional government support with moderate efforts from individuals in the informal sector.
- Minimum government support and maximal individual effort.
- Little government support and practically all individual effort.

The table below outlines the characteristics of each path, including important interventions, integration maturity level, integration indicators, and path effect.

TABLE 7.4: PATHS FOR INTEGRATION OF THE INFORMAL SECTOR TO THE FORMAL SYSTEM

Paths for integration	Key Interventions	Maturity for Integration	Integration level	Signs of integration	Impact
Strong support from the city government for Non-regulated informal Sector and modest efforts from individuals	Access to working premises for non- regulated without discrimination by gender, age, and ethnic background	-Increased income and asset level -Increased employability	Graduated to formality.	**Pay Taxes** **-Legally licensed** **-rent formal premises** **-get loan from banks**	**Fully Integrated formal Business**
	Access to Soft Loans without discrimination by gender, age, and ethnic background				
	Establishment of Like-Minded Informal Sector Associations for enhanced market linkage				
Minimal support from government and more efforts from the individuals.	- Adjust curriculum for skills training; train, certify and avail opportunities and then the individuals will efficiently be integrated into formal system.	Secured Employment due to increased skills and increased income	Recruited in the formal business or self-employed with better income		
Little support from government more efforts from individuals	- Do not chase out the non-regulated workers	Increased income	Expand or diversify their business to formal		
	- Do not be ethnocentric				
	- Individuals use their traditional social system such as IQUB and IDDIR for the saving and development.				

Source: Field Data (2021)

The KII participants stressed that, although via the above identified three strategies (see the Table 7.4), the informal sector workers could be linked more effectively with the formal sector, for integrating non-regulated informal businesses into the formal system, the key and decisive factor is improving the income and asset possession of the informal sector. If the growth reached a certain level, the government integrated it with the formal system or the business itself reached a level where it could no longer operate in an informal way. The informal sector

workers needed to pay taxes, should get a licence from the government system, should be attached to formal bank institutions, or diversify or expand their business to other branches and regions. At that level, it was mandatory for the informal sector workers to be formalised to access these services. Hence, a 'one-size-fits-for-all' approach did not work for integration.

7.5.2 Analysis of the three paths

In the section below, the three paths to integrate the informal sector into formal sector are explained. The path analysis takes two main actors into consideration, namely, the support from the government as the main actor; and the engagement expected from the non-regulated informal sector workers.

7.5.2.1 Integrated multidimensional support from the government with modest efforts from non-regulated informal sector

The KII suggested details for comprehensive support packages that the government should provide for regulating the informal sector. They prioritised the following actions are the key priorities for the effective integration of the informal sector to the formal sector:

- Assess and update the current enabling environment of the sector and review the operational policies, procedures, and practices. First and foremost, without a supportive legal, regulatory, and policy environment, neither the expansion of MSE organisations nor that of its members can be guaranteed. To achieve this, policymakers' perspectives on the function of the informal sector must be changed.
- Fast tracking assistance for the unregulated informal system is, therefore one of the primary strategies for connecting the informal to formal systems so that they can grow as soon as possible and be included in the formal systems.
- Designing effective policies with robust and inclusive operational guidelines is crucial for this reason. Therefore, the standard support system for making office

space available, offering skills training, providing loans, providing market linkage, and others may be increased to help a business mature.

During the conversation with the KII participants, it was mentioned that there should be updated, inclusive, unambiguous, and non-discriminatory rules that allow the employees in the informal sector to function in the city. The majority of practices now in use are not appropriate for the situation as it is. For instance, under the MSE strategy the employment creation efforts are mostly linked with the construction of the condominium industry which was formerly the most dynamic and booming in all major cities of the country. But now, this project is interrupted by the current government. Moreover, there is no credit given for MSEs initiatives as it had been in the past. The city's MSE organisation and support seem exclusive and occasionally discriminate in favour of the ethnic group associated with the ruling party. Most recently launched MSE businesses are retail and food businesses rather than labour intensive projects that lead to manufacturing. Additionally, there is fierce rivalry between newly opened MSEs and businesses in the formal sector. Therefore, care must be taken should the existence of the latter have a detrimental impact on the expansion of the former.

Another area where policies fall short is the street food business. Since these foods may be harmful to the public's health, there is no regulatory system that controls their quality. Due to a lack of rules and informal sector controls over food safety and cleanliness, adulteration is a prevalent problem. The Ethiopian Quality and Standards Authority (EQSA) is not authorised to enforce the law against people operating in the unregulated sector.

The creation of guidelines for street food is required to improve the quality of the offered goods and services and to provide the vendors with the tools they need to compete in the market. This will boost customer confidence and expand opportunities for market penetration. Additionally, the guidelines will make it

possible to deal with commercial uncertainty and provide confidence and operational independence.

Additionally, the data demonstrated that neither public labour legislation nor labour union laws provide protection for those working in the informal sector.

I. Access to working premises

One of the major obstacles to expansion for both regulated and unregulated informal sector businesses is access to the workspace. Only 17.5% of the respondents to the survey had a fixed location to conduct their business by the side of the road; the majority, 68.8%, were operating on mobile basis and temporary roadside areas.

The government is accountable for providing jobs for the expanding youth who are just entering the labour field, as explicitly stated in the policy. For the employees in the informal sector to generate jobs for themselves and others, it is crucial to provide them with business places for warehouses, production sites, stores for retail goods, temporary shades, and premises.

II. Access to credit or soft loans

In Ethiopia, there are about 25 regulated micro-finance institutions (MFIs), most of them are located in Addis Ababa. However, the majority of them have extremely tiny and constrained reach. Ethiopia's official financial institutions (banks) are hesitant to provide loans to the informal sector due to a lack of credit collateral and high unit transaction costs. Social prejudice and a lack of trust also drive this group away from the needs of micro and small-scale enterprises in an unregulated market.

According to the survey, just 15% of respondents who were involved in informal business (all of whom were regulated) requested bank loans to support their operations, while 85% did not support their operations. In addition, 85% of the respondents were unable to apply for bank loans since the non-regulated sector's application requirements called for an Addis Ababa residency ID card and a company licence. The regulated respondents were questioned about the reasons behind their decision not to seek a bank loan to grow their business. A significant portion of responders (65%) cited overly complicated procedures as the main reason, followed by high interest rates (23.3%) and a short maturity period (12.0%).

Among those respondents who had applied for a bank loan, only 50.9% succeeded in obtaining a loan whereas 49.1% were unsuccessful. Those who were unsuccessful in obtaining bank loans were asked why they were not successful. More than 52% of the respondents highlighted overly complex processes, 24.3% complained about the excessive collateral requirements of banks, 12.7% mentioned exorbitant interest rates, and 6.5% mentioned loans that did not align with their interests.

About 55% of the respondents stated that they had asked for a loan from alternative sources of finance (microfinances) and 67.3% of them had been successful. Regarding the reasons why their loan application was turned down, about 37.9% of the applicants stated that they were unsuccessful due to complete, but unconvincing documentation, 28.6% due to insufficient guarantee or collateral, 18.7% due to incomplete documentation, 10.8% due to their businesses being deemed unviable, and 3.9% due to inadequate initial capital. The survey also showed that individuals that obtained bank loans had better results in terms of hiring more workers, increasing the production volume, boosting competitiveness, and diversifying their sources of supply.

Development of microfinance institutions should thus be given high priority in order to increase their reach and enhance access to commercial credit, together with

suitable procedures of loan provision and collection, in order to integrate the informal sector into the formal system. This will boost the informal sector's capacity to mature to the point where it is necessary to seek out the assistance and services of the formal system, such as obtaining a licence and growing their business.

The KII advised that the government should implement legislation requiring commercial banks and financial institutions to make it mandatory, give a particular proportion of their total credit to the informal sector in the light of the dire level that unemployment has reached. Additionally, a clear, anti-corruption guideline must be put in place to oversee the process, define the priority industries, and specify the options for working capital term loans, foreign currency services, and a fund for technological development and modernisation. The example that follows demonstrates how crucial a credit supply is for bringing the informal sector into the mainstream.

NARRATIVE FROM KEY INFORMANT 7.1: Mr ZZ

Mr ZZ is from the Yeka sub-city, 27-years old and an unemployed graduate from the Public University with a BA degree in Applied Chemistry, which he attained in 2015. After being unemployed for two years, he and his eight friends were hired by the government in 2017 to work in the Yeka sub-city of Addis Ababa in a soap and detergent production business.

In the first year, neither the business nor the income was profitable. The government provided a loan of 150,000 Birr after a week of training on how to manufacture detergents and how to create a supportive workplace. One year after receiving this loan, the business was able to expand. The team's capacity to be entrepreneurial and use technology efficiently has been greatly enhanced by the business skills training offered by an NGO with the assistance of the government.

The product quality increased as a result of the microfinance organisation providing them with greater financial support. The revenue thus saw a considerable

improvement. Now that they have a successful business, they can earn an average of 800 Birr every day. Their six-day work week has increased their monthly per capita revenue to 6,000 Birr. They are able to earn 5,000 Birr through their informal business, which they used as start-up costs for additional development.

In just three years, the enterprise's entire capital has increased to 320,000 Birr, enough to meet all living expenses. The company is officially recognised by the city as a tax-paying corporation. All the team members completed their MSc studies, and the business hired 13 more semi-skilled workers thanks to the loan and the training that the government provided.

As shown in the aforementioned narrative, when there is enough access to financing, the informal sector contributes greatly to job creation, savings, growth, livelihood improvement, and decrease in the rate of unemployment. It plays a significant role in assisting recent college graduates who lack the necessary experience to begin working in the formal sector. The narrative also shows that government loans and other forms of support can help the informal sector to integrate successfully with the formal economy.

III. Creation of like-minded informal sector associations and value chains for improved market linkage

The KII informants argued that usually informal sector is viewed as a daily subsistence oriented, micro-level approach, individualistic petty business, and disconnected from one another. However, this does not enable the policy makers and practitioners to think bigger strategically and integrate the informal with the formal system. The government should support the establishment of associations to facilitate efficient and effective service delivery. One of the factors that ensure the competitiveness and sustainability of the informal sector is advancement of a value chain approach encouraging the linkage with the private companies and service providers in the chain.

To deal with more complex national and international supply chains, it is necessary to strengthen the competitiveness of the informal operators. It is important to support the informal sector in developing legal strategic plans that allow business owners to start small but aim for global markets. To secure a long-term market connection, they should create a vertical integration with an exporting and processing business in the city.

As a result, businesses need to think broadly to fulfil the objectives of the value chain, including exceeding hygienic requirements, reaching volume and punctuality in delivery, and matching the specifications required by exporters and grocers. Instead of viewing the initiatives from the informal sector as a patchwork safety net, the value chain modality allows for successful integration into the formal system. Additionally, there is a chance to set up a small-scale processing unit at the operator level of MSEs. The small-scale processing unit should therefore be outfitted with the necessary technology, standard recipes and quality assurance systems, affordable processing equipment and utensils, trained technical operators, and good process management to produce high quality products and services and provide a market linkage and market development services for the informal sector.

7.5.2.2 Modest government assistance and more personal effort

As previously stated, the majority of informal sector employees left formal education because of poverty. The lack of possibilities for either skills training or traditional high school and vocational training, therefore, is one of the major issues facing young people in the productive age range. The KII conclusion shows that the informal sector problem has deep strategic roots as well as operational problems, such as the absence of an inclusive curriculum for the informal sector. Working around the curriculum for skills training and education should thus be one of the primary reaction factors for integration into the formal system.

I. Inclusive curriculum for skills training and education of the informal sector

The KII emphasised that raising the education and skill levels of informal workers is the key to integrating them into the formal economy. This might not necessarily require much effort such as providing loans, working premises, and a business development package. However, focusing on a minimal refresher course that covers practical aspects of vocational skills and which is offered via alternative basic education that equips learners with basic science, reading, and math can be the best use of resources. There are many options for education that focuses on a connection to the formal economy.

The fundamental argument is that because formal vocational training has inflexible delivery methods and high educational requirements, it is not responsive to the demands and limits of the disadvantaged and vulnerable employees in the informal sector. The bulk of those who work in the informal sector are excluded from the skills training since they demand at least junior level completion. As a result, many members of the workforce, especially those from disadvantaged groups including women, in-migrants, dropouts, and youth, have little to no access to vocational skill training. Because of this, employees in the informal sector are employed in low-skilled, low-paying jobs, which feed the vicious cycle of unemployment, low productivity, and poverty.

Table 7.5 shows that workers in the informal sector who received training earned more money than those who had not received training. A total of 127 of the 163 regulated informal workers had received training, while 36 had not received training. Only 60 of the 185 unregulated informal sector workers received training. However, the majority (89%) stated that the training was not directly relevant to the industry in which they were presently working.

TABLE 7.5: SKILLS TRAINING: REGULATED VERSUS NON-REGULATED PARTICIPANTS

Business status	Income (Birr)	Have you ever received any business skills training?		
		Yes	No	Total
Regulated	1000-5000	40	17	57
	5001-10000	80	17	97
	Above 10000	7	2	9
	Total	127	36	163
Non-regulated	1000-5000	58	120	179
	5001-10000	2	4	6
	Total	60	124	185

Source: Field Data (2021)

The KIIs also suggested the need for promoting marketable skills through a dedicated informal sector tailored curriculum to increase the employability, productivity and income generating capacity of informal sector workers. This aims to enhance informal sector workers' access to vocational skills by providing the opportunity to transform marginal and survival skills into employable skills. The KII stressed the need for a flexible training approach capable of responding to informal labour markets' demand and to the learning capacity and learning patterns of informal workers.

This will be accomplished by not just developing new curricula and assessing the current curricula to adapt them to the needs and interests of the poor and disenfranchised, but also through the inclusion of pertinent business ethics and attitudinal skills. The curriculum for each vocational skill should incorporate the following:

- A positive attitude towards work in general and identified skills in particular.
- Work ethics and communication skills.

- Workplace discipline and teamwork.
- Focus on assuring the quality of products and services.
- Punctuality.
- Safe working practices including hygiene.
- Responsibility and care for work tools and equipment.
- Waste management and environmental protection.
- Basic business skills as well as the basic principles of cooperative development.
- Since the skills should be designed for self-employment, the trainees will be better prepared to access better paying employment, thereby decreasing the number of unemployed dependent people. This opportunity to access vocational skills and participate in the labour market in a more meaningful way is expected to minimise social exclusion, empower the informal sector, and build their self-confidence. The overall process is expected to contribute to the human resource development of the country by improving the quality and skills of the labour force in general.

II. Certify and facilitate opportunities

The KIIs also mentioned particular skills developed through informal processes, such as apprenticeship or working in a family business were not recognised and certified, and that there was no opportunity to upgrade skills and get certification to secure better paying jobs. A skills assessment and certification system should be established to create a linkage between the formal and informal TVET system. This can be done by working with the government to develop standards for selected skills and setting up a system of assessing, upgrading and/or certifying skills acquired through informal experience. This could be done through the promotion of the TVET Agency of Addis Ababa.

Through a government competency certification system, it is possible to enhance the formal-informal sector linkage. The implementation of the integration between

the formal and the informal sector via training can a improve the capacity of the Centre of Competency (CoC), as it will have an increased number of skills to certify, broadening its service to informal sector workers. In addition, if the skills that are to be certified do not fall within the existing occupational standards, then there is a need to develop occupational standards for these.

NARRATIVE FROM KEY INFORMANT 7.2: Mr YG

Mr YG is a 23-year-old who migrated from Ambo to Addis Ababa in 2015 after dropping out of in the 4th Grade due to his household's poverty. He began his daily casual employment at the construction sites of condominium buildings, earning 100 Birr. He picked up the gypsum work swiftly from his co-workers at the building site. For a year, he was an assistant gypsum worker earning 200 Birr each day. He then specialised as a city gypsum artisan, and currently earns 5,000 Birr a month. With this money, he transformed his way of life and the lives of his household. He claims that he has received several offers to be hired at various construction sites, where he can earn up to 8,000 Birr per month, as well as to participate in various bids for contracts. However, due to lack of certification and recognition of his skills, he is unable to access this opportunity.

To compete for contracts, increase his income, and eventually integrate into the formal system, he would appreciate it if the government could certify and recognise the skill he acquired through informal means.

The narrative indicates that although there are skills that informal sector workers acquire through experience, family businesses, or any other means, the job market requires certification from a recognised, accredited institution to present it to the hiring agency. The certification process seems to be neither too complex nor costly, but its impact on the life of the workers is huge. Hence, there is a need for a policy that enables informal sector workers to get tested and examined for certification.

7.5.2.3 'Natural' metamorphosis with little support from government and more efforts from individuals through social capital formation

The last pathway on natural metamorphosis involves identifying the 'metamorphosis and analysing social capital formation as explained in the below topics.

I. Identifying the 'natural' metamorphosis

Encouragement of the informal sector's natural transformation without any undue pressure from the government is one approach being considered for integration into the formal system. With regard to this path, informal businesses adapt and construct their own environment, even if there may not be any purposeful backing from the government. They may obtain the essential rights and chances for financial stability, livelihoods, and business through their own system via social capital formation if they are released from police harassment. Social networks, such as, IDDIR, IQUB, and individualistic support, which have a direct correlation with the magnitude of household poverty, are included in the study's example of social capital formation strategies.

According to the survey, 34% of workers in the informal sector experience discrimination. The majority of the non-regulated informal sector felt that they were discriminated against in accessing social benefits including credit provision, training, saving and credit association, and membership in micro enterprise development. Another covert sign of poverty is having no voice or being unheard in society. Over 72% of the respondents indicated that their opinions were not heard when it came to socially significant issues.

The percentage of regulated informal sector workers who very often participated in social occasions totalled 56.4%, while only 39.2% of the non-regulated group

participated very often. The researcher, hence, deduces that social respect and recognition increase with the status of being regulated in both cases.

Respect, trust, and access to social capital are also determined by participation in various social and political organisations. Only 44% of the respondents were users of a social network. Of these 20.3% accessed one social network, and 23.1% accessed two or more.

More than 71% of the respondents responded they could vote freely but could not be elected. From the KIIs it emerged that the municipal administration forced those employed in the informal sector to cast their ballots in the national election even if they did not possess an Addis Ababa ID card. After the election, they were no longer acknowledged as city inhabitants. To understand the effect of the IQUB and IDDIR on the integration of the informal and formal systems, the researcher describes the social factors below.

II. Analysing social capital formation: the example of IQUB as a compulsory saving scheme

IQUB is a social organisation founded by a small, voluntary group of individuals to make fixed-amount payments once a week. Rotating among a homogeneous group, it is a requirement that members save money to enhance their lifestyles and living arrangements after joining that group. It is founded on trust and previously established social relationships and disburses money to members in lots on a weekly basis in exchange for weekly interest-free payments from each member. There is a follow-up of the group on people regardless of whether they spend their allotted money or not, there is a minimal risk attached to repayment defaulting, and it has cheap administrative costs.

One KII revealed:

It needs much courage, determination, and commitment to work on a daily basis. Additionally, IQUOB forces you to work hard, save money, and think critically every day.

Another mentioned:

After joining IQUB, there is healthy rivalry among peers on seeing what each person does with the money. Since there is no external pressure to work hard, if an informal worker is not a member of IQUB, his peers will all view him or her as lazy. In such a case, the person will soon be deserted by his friends, making him or her unpopular in society and making it impossible for her or him to get married or be respected by the community.

It is interesting to note that 87% of families that participated in social saving groups, liked IQUB. Therefore, it is the most significant social group that helps men and women run successful businesses by acquiring various assets, such as land, a small cab or bajaji, and by expanding their businesses, oxen, and home productive or non-productive assets. The narrative below further illustrates this:

NARRATIVE FROM KEY INFORMANT 7.3: Mr GB

Mr GB is 27 years old, married, and migrated from the Bichena Amhara Region to Addis Ababa in 2015. He dropped out of school in Grade 8. In Addis Ababa, he worked as a daily labourer for three years collecting used water bottles. After one year of receiving IQUB money to the amount of 20,000 Birr, he increased his supply of bottles to bottling factories by buying used bottles in bulk from collectors at a low price.

As a day labourer, he earned 100 to 140 Birr per day and when he started collecting bottles, he earned 250 Birr per day. He is a member of the Bereket Begeta IQUB

team. The IQUB has 17 members that contribute 404 Birr every weekend. Mr GB, through the IQQUB, saved a total of 6800 Birr within four months and 21,000 Birr in a year. He bought land in the town of his birthplace with this money. In the second year of membership of the IQUB, Mr GB earned about 25,000 Birr and used it to build four low-cost houses which he rents out at 1,500 Birr per month.

Currently, he has masonry and carpentry skills obtained through this building project - skills which he acquired on the job with the support of friends. He diversified his informal sector businesses and increased his income. He hired five workers to collect the used bottles and supply these to factories. In addition, due to his improved skills he is now earning at least 3,000 Birr a week, manages all livelihood demands and also saves 1050 Birr in a week with the same IQUB. The savings are set aside for two purposes: to reserve a supplementary fund to cover shortfalls arising from possible defaults and for emergency expenses.

He said that a new member is admitted into this IQUB after proving that he is known by at least five of the existing members who can act as the new member's guarantors. This spreads the burden of covering defaults over as many persons as possible.

Mr GB recently established a medium-sized recycling plant that produces ornaments and jewellery out of used bottles. His business has already grown to a total capital value of 100,000 Birr and is now transformed into a formal business with official certification. Without being organised into an MSE, or getting significant support from the government, his business has become a formally registered tax-paying business.

He confirms that the informal sector workers can be successful and can be integrated into the formal system if the government stops harassing them. The key factor is the level of income that encourages the workers to plan for the next business. He believes that after earning some money from informal work, all informal

sector workers can move to licensing to buy or rent business premises, get a tax identification number, and number plates for vehicles.

The narrative shows that the process of formalising informal sector workers is not solely through the governmental MSEs system. There is another means where the workers can be regulated by themselves through their own efforts. A key factor here is the social savings system (IQQUB), which has a great deal of potential to increase the opportunities of the workers to expand their business that can lead to self-formalisation.

TABLE 7.6: METAMORPHOSIS LADDER OF THE INFORMAL SECTOR WORKERS ENGAGED IN IQUB FOR INTEGRATION INTO FORMAL SYSTEM

METAMORPHOSIS LADDER FROM INFORMAL TO FORMAL THROUGH SOCIAL CAPITAL	Average years it takes	Status	Weekly iqub amount
Stage 5 This is a matured formal stage where it fully integrates with the formal sector — Own Big taxi/shops	Two	Regulated	3000 birr
Stage 4 This is a semi regulated stage where partially integrated to get services e.g. plate number — Purchase small taxi bajaj	Two	Semi regulated	1000
Stage 3 Non-regulated stage where police harassment is common — Selling old cloths/items	Two	Non-regulated	400 birr
Stage 2: non-regulated with very small startup capital — Shoe shining	1-2 years	Non regulated	200 birr weekly
Stage 1 First entry to the sector — Daily labour/ domestic worker; Most of whom are internal migrants from high population pressure areas	1yesr	Non regulated	No iqub
Unemployed youth	0		No iqub

Source: Field Data (2021)

III. Analysing social capital formation: the example of IDDIR social networking

One common type of social capital that the informal sector workers make use of, is the IDDIR. It is an association established among neighbours or workers to raise funds that will be used during emergencies. Therefore, informal sector households always tend to expand their networks, strengthen their social ties in the city, and abide by the social rules. The IDDIR is the most common social institution, accommodates all households regardless of the sex, income or employment and social and cultural background of the inhabitants. Furthermore. The IDDIR supports all its members during household shocks (death of household members and in cases of sickness and difficult circumstances). For example, about 88% of the households are members of IDDIR and contribute, on average, about 500 Birr per annum which is almost 5.5% of their total cash income. This IDDIR scheme is mostly used as its own traditional social security gathering to cope with any business shocks.

NARRATIVE FROM KEY INFORMANT 7.4: MR TT

Mr TT is originally from the Tigray Region and states that he was collecting and reselling used equipment and furniture and earning a decent income in a small shop in Gullele, before 2018. However, in 2018, he was robbed by robbers and lost his entire business, including his business plans for expansion. He was a member of the IDDIR, and news of his misfortune spread amongst the group. At an IDDIR gathering, they decided to contribute 200 Birr each to assist TT. He explained:

> *I received 30,000 Birr in all and restarted my business in the same year. It is a good business. Now I have started a small spare parts shop and recruited two employees to continue my original business. The IDDIR members made a great contribution to my life in 2018 and it set me on a path to achieve what I have today. As informal business owners, we need training, access to credit, working premises, equipment, organising support networks and recognition. Above all, leave us, don't chase us, don't bite us, don't harass, and confiscate our stuff. For God's sake leave us alone and let us fight against our poverty.*

The community has its own built-in system that enables it to support the informal sector workers during a crisis. If not interfered with by the government, a community-based social protection system can address the problems of the workers when they are in need. Hence, the informal sector policy should not be underpinned by a 'one size fits for all' approach and should instead consider several options that can increase incomes and enable informal businesses to be formalised.

7.6 CONCLUSION

The integration of the informal sector into the formal system is a crucial strategy for sustainable improvement of the livelihoods of the youth entering the sector. 91.9% of the youth in the informal sector have confirmed that they do not want to remain in the informal sector forever and want to be integrated into the formal system. To integrate is not a one-size-fits-all solution. Instead, three paths are suggested. Firstly, integrated multidimensional support from the government with modest efforts from individuals. Secondly, minimal support from the government and maximum efforts from the individuals; and thirdly little support from the government and almost all efforts from individuals.

To achieve the first path, an enabling environment must be created, and policies must be reviewed to secure access to working premises, credit/ soft loans, informal sector associations and markets. Similarly, for second path, the main interventions might include designing an inclusive curriculum for skills training and education and certifying candidates. For the third path, all barriers must be eliminated. This study suggests that without deliberate action from the side of the government, young people in the informal sector will be able to adapt to the situation and create enabling environments for themselves. If they are no longer subjected to police harassment, they can achieve the fundamental rights and opportunities for income security, livelihoods, and entrepreneurship.

CHAPTER 8: CONCLUSIONS AND RECOMMENDATIONS

8.1 INTRODUCTION

This chapter is a reflection on the suitability of the chosen methodological strategy and theory. The findings are summarised in terms of the stated research objectives and tested against the literature review. Recommendations stemming from the study for policy and further research are made.

8.2.1 A reflection on the usefulness of the chosen methodological strategy and theory

The researcher has reflected on the usefulness of the methodological strategy, the background of the problem and the research questions, as well as on the conceptual framework selected to link demographic phenomena with the economic variables.

8.2.1.1 Juxtaposing the literature on the background and the findings

In the literature review, it was established that it is not only the size of the population that matters for the economic development of a country, but also its age structure that has critical implications for the supply of labour. This is operated through the demographic dynamics of a country, which itself has the consequence of employment equilibrium. Ethiopia has started to experience a youth bulge where the formal economy cannot provide sufficient jobs for the new entrants to the labour market. As a result, the new cohorts in the potential income-earning ages are forced to engage in the informal sector and act as a safety net for youth unemployment (LaGraffe, 2012:5; Chen, 2012:4; CCRDA, 2016).

Hence, looking at the large numbers joining the sector, it poses questions such as: What role does the sector play? How effective is it? Which characteristics determine its effectiveness? In addition, is there any way of integrating the unemployed young people into the formal system, amongst others. However, there is a lack of studies that link the informal sector with youth unemployment to address such questions. Therefore, this study, has investigated the contribution of the informal sector to acting as a safety net for the high number of unemployed young people in Addis Ababa. Accordingly, the research questions below were framed and examined in this study.

- What is the role of the informal sector in acting as a safety net for youth unemployment in terms of:
    - The growth in income for both regulated and unregulated informal sectors at household level in Addis Ababa?
    - Food security at household level in Addis Ababa?
    - The dependency ratio at household level in Addis Ababa?
    - The level of education and skills training of young people in households in Addis Ababa who work in the informal sector.
- What are the key characteristics that determine the effectiveness of the informal sector to be a successful safety net for unemployed youth in Addis Ababa**?**
- How can informal sector workers be linked to or integrated more effectively with the formal sector for the purpose of development?

8.2.1.2 Suitability of the conceptual framework

As can be seen in the model below, the study attempted to link the demographic macro level phenomena with the economic variables at policy level and tried to address the lived realities of informal job participation by the youth. For this purpose, the researcher based his argument on the revisionist school of thought as a lens for this study as it argues that the link between the population and economic growth depends on the cultural, economic, institutional, demographic context of the country (Kelley, 1999:2). In the context of this study, it is best explained by the framework in Figure

8.1, which shows the linkage between the dependency ratio that results in an oversupply of large cohorts of young people and the role of the informal sector in easing the problem of unemployment in Addis Ababa (Elias, 2015:12). The model summarises the debate over the impact of demographic and economic growth, discussing how changes in the age structure interact with the labour-market supply (Karra *et al.*, 2015:241). This model is extremely useful as it enables a researcher to analyse the origin, causes and persistence of informality in African societies.

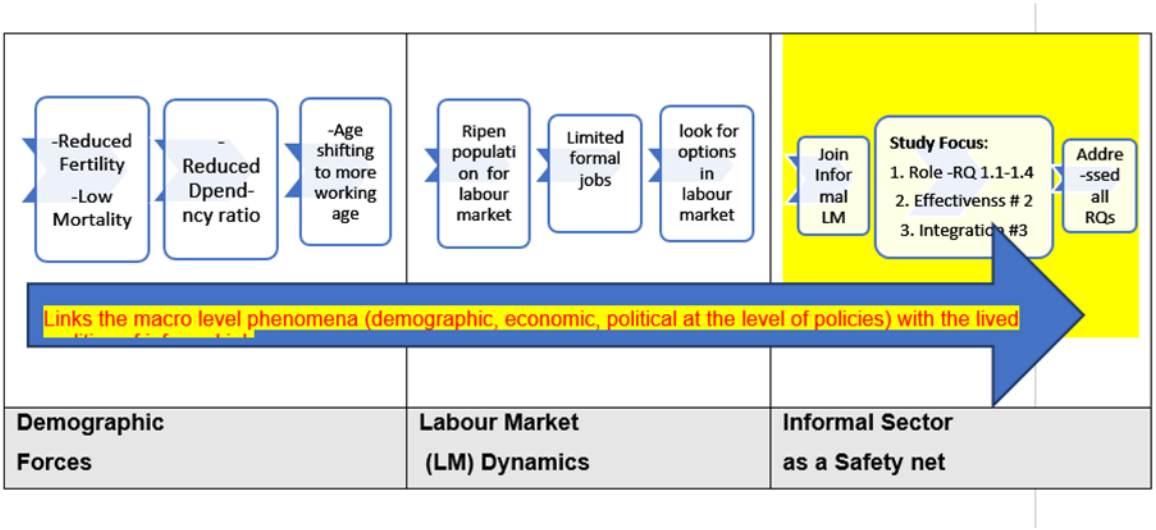

Figure 8.1: The implementation of the conceptual framework

Source: Author (2022)

8.2.1.3 Suitability of the chosen methodology

The researcher chose a pragmatic mixed methods strategy to inform the sampling strategies and data collection tools as the focus was on the nature of the informal sector as an economic reality that structures the livelihoods of people. This acknowledges the basic assumption that the informal sector is the main component of development in Ethiopia amidst unemployment and a large youthful population.

The chosen methodology was useful as it enabled the researcher to apply both quantitative and qualitative methodologies to obtain a rich description of the research problem and also allowed the researcher to bridge the gap between interpretive and

positivist epistemologies. Accordingly, the first two research questions were covered by the quantitative and qualitative phases in an integrated way and the third was answered best during the qualitative phase. Therefore, applying both quantitative and qualitative approaches enable a better insight into the full dynamics of the problem – and this might otherwise have been missed in a mono-method research orientation.

The researcher collected the quantitative and qualitative data from a sample of 409 respondents beyond the planned 384, with the response rate of 101%. For the qualitative phase, the researcher conducted telephonic interviews with 22 participants by getting prior informed consent.

8.2.2 The findings summarised in terms of the stated research objectives and related to the literature review

The findings of the research are summarised in line with research objectives main themes such as the participation of the youth in informal sectors, characteristics of young people employed in the informal sectors, factors that shape the effectiveness of the informal sector, policy recommendations for informal sector development and contribution of the research to the academic debate on labour informality and development.

8.2.2.1 Objective 1: Analyse the participation of the youth in the regulated and unregulated informal sectors in Addis Ababa

In Chapter 2, the researcher analysed the labour force participation rate (LFPR), the employment to population ratio, and the ratio of the informal sector engagement in Ethiopia and in Addis Ababa. The percentage of the economically active population engaged or available to be engaged in the production of goods and services at the national urban level, was about 62% in 2018, that decreased from 76.14% of 1999 (CSA, 2018; CSA, 2013). The decline in dependents as well as labour force

participation might have resulted from the overall decline in the fertility rate of the population.

The employment-to-population ratio of Ethiopia underwent a modest change from 46.8% in 1999 to 50.1% in 2018, indicating better progress in favour of females. The informal sector employed about 69% of the economically active labour force in the city (Jayne, Yeboah & Henry, 2017:6). The proportion of women engaged in the informal sector declined from 85.2 in 1999 to 28.2% in 2018, and within the same years, the share of men declined from 53.36 to 17.1%. The declining trend was true for Addis Ababa too, revealing the decline in the percentage of male operators from 12.9% in 2012 to 9% in 2018 as well as that female operators from 12.36 % to 8.3% (CSA, 2018; Abdulkadir & Ali, 2013). The decreasing trend in the data of the informal sector needs further research as reflected in the recommendations section of this study.

Juxtaposing the literature review with the findings of the study reveals that more than three-quarters of the respondents in the study were born outside Addis Ababa. The informal sector resolved that these young people should not be an additional burden on their households at the ages when they were expected to make a monetary contribution to the households.

Of the total percentage of informal sector workers, the majority (40%) were from the Southern Nations and Nationalities Region, mainly from Wolaita (25.3) and the Gurage (14.5%), followed by Amhara (26.5%), Oromia (17.7%) and finally, the Tigray (10.8%). This is related to the population pressure of the origin, and the shortage of land for the new young people entering the labour force. For example, in Wolaita, which is the main source of migration to Addis Ababa, 67% of the population had less than 0.5 ha each of land (Sibhat, 2014). The conclusion from this study therefore supports the findings of Sibhat (2014) that unemployed people from areas with high population density move from rural to urban areas for economic opportunities. Accordingly, this study also asserts that the majority of the informal sector workers have migrated from the densely populated regions of Ethiopia. This was verified by the lowest average

parents' land holding status of only 0.38ha per household, before they migrated to Addis Ababa.

Among the respondents who were engaged in informal business, 43.2% were married, while the majority (45.5%) had never been married. The average age of the respondents was 22 years with a standard deviation of 2.75 years with a minimum age of 18 and a maximum age of 28 years; the average number of children for the overall informal sector workers in Addis Ababa was 1.24 which was extremely low when compared to the standard population.

The fact that 34.6% had no children during the survey in Addis Ababa implies the youth in informal sector intended to reduce the Youth Dependency Ratio (YDR) which has a negative effect on economic growth as the higher YDR reduces aggregate savings (Kögel 2003:24).

Different from Informal Sector Survey CSA (2018), the number of men engaged in informal sector dominate in both regulated and non-regulated informal sector initiatives. Males had a mean monthly income of 3,731 Birr compared with the females with a mean monthly of 3,194, with a difference of 6% about their mean incomes in Birr.

8.2.2.2 Objective 2: Describe the characteristics of households in Addis Ababa who have young people employed in the regulated and unregulated informal sectors in terms of income, education, skills training, and food security

In Chapter 2, section 2.2.1.1, this researcher described the characteristics that determine the effectiveness of the informal sector as a successful safety net for unemployed youth in Addis Ababa. These include improved access to education and skills development; financial services; markets and technology as the key variables ILO (2017a). Similarly, the FAO (2017) focuses on demographic characteristics, such as gender, the dependency ratio at household level, the age of the head of the

household, household size, social factors and ethnicity as the key variables that affect the effectiveness of the sector.

In his research, Fillmon (2011) concludes that the average monthly income after joining the informal sector was 568.4 Birr, which increased by 166% after joining the business. This study found that the likelihood of migration was considerably higher, namely, 5.7 versus 3.5 times in households with a perceived food insufficiency than in households with a perceived food sufficiency. Tumen (2016:16) indicates that educated people regard the informal sector as a stepping-stone to a formal job after acquiring essential skills and on-the job training. However, the informal sector is a dead-end for the uneducated people.

Comparing the literature review with the results from the thesis research, the researcher found that according to the information from KIIs, the background characteristics of the informal sector workers in Addis Ababa are:

- School dropouts who migrated for labour work.
- Forced migrants and refugees due to inter-ethnic conflicts.
- Graduated, but unemployed youth from nearby cities of Addis Ababa.
- Divorcees and single parented children.
- Orphans and homeless children residing on the streets.
- Former military veterans.
- Intermittent farmers and students travelling for seasonal labour workers.
- Laid off employees from formal institutions.
- Young people from the low-income families of the host communities.
- Unemployed youth organised in MSEs after graduation from colleges.
- Entrepreneurs and small-scale innovators.
- Unskilled rural household members from low landholding backgrounds.
- Poor households with a large household size.
- Daily intermittent less skilled youth labourers from the peri-urban cities around Addis Ababa.

- Students in colleges and private universities wishing to pay their tuition fees themselves.
- Young people from the countryside with relatives in the Addis Ababa City.
- Tour guides and pension renting services dealers at national bus stations.
- Young people that migrated after formal legal correction or to hide after committing crimes.
- Young people requiring labour to finance their education and earn an income for livelihood support.
- Unemployed young people from the city.
- Young people trained by non-state actors in search of jobs and employment opportunities.
- Young people entering the labour market but lacking opportunities.

The qualitative data from the KIIs highlighted that the strengths of the informal sector in Addis Ababa includes that it is easy to start, and that it needed a small amount of capital to run a business, one was one's own boss, and one could operate it at will. The weaknesses included that jobs were provisional, provided inconsistent incomes, and needed a long time for capital development. The opportunities were the availability of young cheap labour, the presence of a diversity of informal businesses, the high demand by low urban income households, frameworks to support the businesses and the use of local and indigenous knowledge. The threats were ethnic and political favouritism, illegality, the lack of an inclusive policy, tax evasion, avoidance of labour regulations, and the volatility of political changes.

The study also found that the household background of most young people in the informal sector had a low-income status with a high household dependency ratio. This was verified by the lowest average parents' land holding status of only 0.38ha per household, before they migrated to Addis Ababa. Half of the households cultivated 0.5 hectares or less. Some KII participants from the non-regulated informal sector revealed that the reason for their engagement in the informal sector was due to the sale of their household's land.

In drawing conclusions about the safety net role of the informal sector from comparing the literature with the findings of the thesis research, it can be concluded that the main driving force for entry into the informal sector was unemployment. Nearly 80 per cent of the informal sector workers joined the sector for better opportunities. Therefore, the informal sector served as a safety net for unemployed young people in Addis Ababa.

Over 67% of the regulated and over 52% of the non-regulated informal sector workers, confirmed that they created employment for themselves and others. However, most of the jobs created by the informal sector workers were not accommodative of others than their own household members.

The earning power of informal sector workers was extremely low before they joined the business. This was 0.18 USD per day per person, which shows almost all of them were below the World Bank poverty line of 1.90 USD per day per person. The average income of the overall sample households after joining the informal sector, but before they were regulated, was about 2138 Birr (42.7 USD) per month per household, which was 2.6 times higher than before entry into the informal sector. After they were regulated, the average per capita income per household was further increased to 5347.3 Birr (435 USD). This indicates that the income of informal sector workers increased with the joining of the non-regulated and then further improved with the regulated status. This suggests that the role of the informal sector as a safety net, increased when the government recognised its impact on reducing youth unemployment.

The safety net role of informal sector is supported by the findings of this study where we confirmed that the average per capita income per household was increased to 5347.3 Birr (435 USD). This supports the findings by Fillmon (2011) as over 93% of venders achieved self-sufficiency and led an independent life and that 75% were able to generate an income in Mekele (Northern Ethiopia). The average monthly income and saving for informal sector workers in Mekelle before joining the business, were

213.1 Birr and after joining the informal sector was 568.4 Birr, which was increased by 166%. Hence, this thesis as well as Fillmon's (2011) finding has shown significant safety net role of the informal sector.

An average productive asset increment of informal sector workers after joining the business was more than sixfold. The change in the mean value was computed as nearly 86%. Regarding the contribution to food security, it was precarious before joining the informal sector with only an average food self-reliance period of 6.2 months in a year. The average meals consumed by the households was only 2.1 times per day during normal periods, regarding which, 45 % consumed only one meal and 55% consumed two and more meals per day. In the less normal periods, the average meals consumed by the households were only 1.5 per day, and 70.8% of the respondents consume only one meal, 21.2% consumed two and 8.0% had three and more meals from their own sources.

The findings of this study are like those of Kögel (2003:24) who found that households with more dependent children have lower income and food security. This was true for both the regulated and unregulated informal sectors. To tackle this problem, the informal sector workers in Addis Ababa were not getting married or giving birth at an early age. Regarding the regulated informal sector workers, 85.5% confirmed they did not lack money to buy food 12 months before the survey. Hence, it can be observed that the food security conditions of the informal sector had improved significantly.

The food security situation and the number of children had a negative correlation coefficient of -0.19 for the regulated and -0.46 for the non-regulated workers respectively that indicates that the higher the number of children at household level, the lower the food security condition. This was true for both the regulated and unregulated informal sectors. This indicates that where there were more dependents, the household was more occupied with the caring of children than going out to work in the informal sector.

The food security condition has improved more for the regulated informal sector workers than non–regulated group. This is like the deduction of Sosina and Stein (2014), who found that young migrants who have entered the non- regulated informal sector are vulnerable and food insecure. The study revealed that the condition is different for regulated group as 85.5% of them confirmed that they did not lack money to buy food 12 months before the survey. The income level at different continuum of informal sector is not the same. This supports the idea of Kanbur (2015) who suggests that analysts should stop looking for a singular conception of informality.

The study found that 34.6% had no children indicating that the youth were not getting married or were giving birth at an early age. This again implies that engaging in the informal sector has implications for keeping the young people from getting married. It seems they had prioritised earning an income until they got married.

8.2.2.3 Objective 3: Examine the factors that shape the effectiveness of the informal sector to become a successful safety net for youth unemployment in Addis Ababa

Mbaye (2019) concludes that half of the informal businesses fail at the beginning due to a lack of sufficient capital, inadequate skills and a lack of premises followed by a lack of access to raw materials and obstacles presented by the government regulations. Furthermore, one third of establishments shut down due to a shortage of working capital, limited markets, and health problems during the operation stage.

In comparison with Mbaye (2019), this study has identified the key factors that promote the effectiveness of the informal sector. In the context of the city, this research has identified, analysed, and gauged their role in terms of the income and asset differentials of informal sector. These include:

1. Having an Addis Ababa ID card.
2. Age of household.
3. Ethnicity.

4. Sex of household.
5. Educational level.
6. Skills training.
7. Status of being regulated and non-regulated.
8. Working premises.
9. Market linkage.
10. Loan access.

The study found that 56.4% of the respondents, of which the overwhelming majority were non-regulated, did not possess a Kebele ID. The variation in income between those who had an Addis Ababa residence ID card and those who did not have such a card is significant. The mean monthly income for those who had an ID card was 4,427.5 Birr and those who did not have a card was 2,298.6 Birr. This difference in the mean monthly income between the two categories was 92%. The mean asset value of those with the ID card were 7,531.3 Birr and those without the card were 4,015.8 Birr, revealing a considerable difference in the range of the asset levels. This was calculated as an 87.5% difference between the two categories. This income difference was statistically significant when tested by means of a T-test.

The fact that 56.4% of respondents, the vast majority of whom were unregulated, did not have Kebele ID card implies they are not targeted for any social support in the kebele. This supports the findings of Skinner and Haysom (2016) who argued that informal sector workers are not included in the government safety net programme as most of them do not have kebele membership to secure their selection as beneficiaries of such social care programmes.

The age group of 18 to 20 years and the age group of 24 to 26 years, fell below the average earning levels of the overall group. Similarly, the asset possession difference among the categories showed that the 18-to-20-year age group had the lowest value of 4,609.6 Birr, and the age group of 24-to-26-year age group had the highest value

of 7,058 Birr. However, the difference in income among the group was not statistically significant as tested by the ANOVA test.

Males had a mean monthly income of 3,731 Birr compared with the females with a mean monthly of 3,194, with a difference of 6% in their mean incomes in Birr. The trend concerning productive asset possessions was also the same with males having a 6,366 Birr asset value and the females having a 5,604 Birr asset value, which showed a 12% difference between the two categories.

The study found that the income differential of informal sector was attributed to the ethnic background of the operators in the city. The Oromo ethnic group was the highest earners in the city with a mean monthly income level of 4,084 Birr followed by other ethnic groups. The lowest earner in the city was the Wolaita ethnic group with a monthly income of 2,758.2 Birr. The difference between the highest earning ethnic group and the lowest earning group was 33%, which was extremely significant. The chi-square test indicated that the income of the informal sector was strongly associated with the ethnic background of the informal sector. In the same analysis, the productive asset possession level also followed the same trend as the income of the ethnic group. The mean asset level of Oromo was 7,444.4 Birr and the lowest Wolaita was 4,293.2 Birr, the difference between the two was 42.9% and statistically significant level.

Informal sector workers with primary, secondary, post-secondary and college degrees earned an average income of 3,689.8 Birr, 3,727.7 Birr, 2,778.3 Birr and 3,959.5 Birr. However, although not robust, the data showed that informal sector workers with higher education levels earned more than those with a post-secondary education. The income gap between individuals with a college degree and those with a post-secondary degree was about 30%. The difference between education categories was statistically significant at 0.05% and the results were tested by means of an ANOVA test. Similarly, the highest education levels had more asset possessions than those with lower education levels. For example, the productive asset level for the college

graduates was 7,820 Birr, and the primary levels was 5,490 Birr. The difference between the two groups was 64%.

Furthermore, the ILO (2020b) report asserts that among young people engaged in the informal sector, the majority have below primary levels of education. However, this thesis has indicated that most of the informal sector workers are from secondary level of education. In addition, Tumen (2016:16) indicates that better educated people regard the informal sector as a stepping-stone to a formal job after acquiring the essential skills and on-the job training. The findings of this thesis have also revealed the same tendency for the young people with post-secondary education and above. This is because a higher level of education enhances integration into the formal economy due to improved self-confidence, reduced perceived risk, and improved human capital.

The difference in earning among informal sector workers was observed between those who had received skills training and those who had not. Those groups who received skills training had a higher income (4,439.7 Birr) than those who had not received such training (3,322.2 Birr), and the former group earned a 25% higher income compared to the latter. The same trend was found in the difference between the productive asset possessions between two groups. Those who received training possessed 7,544 Birr while their counterparts had a productive asset level of only 4,585 Birr. The difference between the two groups was 39 % between those trained in skills and those who had not received such training.

Of the total survey respondents, 42% reported that their businesses were regulated and the rest, namely 57.5%, reacted that their businesses were not. The relationship between the income of the informal sector and the status of being regulated had a strong association. The monthly mean income of the regulated group was 5,347.3 Birr, while that of the non-regulated group was 2,138 Birr. This gave a difference of over 100% between the two groups. Similarly, as can be seen from the T-test statistics, the mean income difference between two groups was statistically significant below 0.05.

Likewise, the mean productive asset level of the regulated group was 8,482.6 Birr and the non-regulated group was 4,196 Birr showing a 102.5% difference between two groups. On the contrary, the mean land size ownership for the non-regulated group was 0.6 ha and for the regulated group was 0.5 ha.

The informal sector workers who had permanent roadside premises, vehicles and households had better incomes of 6,000 Birr, on average and above. In turn, the income of the informal sector workers operating on a mobile or hawking basis and at temporary roadsides, received an average income of 2,600 Birr, which was over two times less than the former category. The Turkey HSD statistics showed a statistically significant p-value below 0.05 when each category of the working premises was compared with each other. This means the incomes obtained from the different types of premises, differed significantly from each other.

Those informal sector operators who received loans had advantages over those who had not received loans with a mean monthly income level of 4,918.2 Birr and 4,159.56 Birr respectively. The operators who received loans were regulated informal sector workers who received different types of support. Similarly, the 0.8 total ha of land that those informal sector workers who received loans, owned two times more land than those who did not get any loan, indicating that the loan and income that the regulated received, was spent for the purchase of land. However, the difference in productive assets was insignificant as the non-regulated sector had slightly more assets than those who had received loans.

Contrary to the expectations, the current income of 3,679.14 Birr of those who expressed the view that they faced a lack of markets for their enterprises, was higher than for those who did not face a lack of markets (3,033.02 Birr). However, the value of the productive assets of those had market access was lower than from those did not have access to markets. In addition, the T-statistics did not show any income significance among the groups as the p-value exceeded 0.05.

The fitted multinomial logistic model produced important results. The first sets of results were those of the likelihood ratio tests. Of the 19 variables fitted in the model, 12 were shown to be significantly associated with category of income from engaging in the informal sector as reported by the unemployed youth. From the results, it transpired those seven variables (number of members engaged in informal activities, length of time lived in Addis Ababa, number of problems experienced in running an informal business, gender, category of informal activity, being born in Addis Ababa, and receiving business skills training) were statistically not associated with the amount of income earned from the informal activity. This means that these variables were not possible predictors of the amount of income earned from engaging in informal activity. On the other hand, factors such as age, years since started this business, total dependents, ethnicity, holding Addis Ababa ID, religion, marital status, current educational status, kind of informal activity engaged in, type of business premises and received a business loan and regulated status were possible predictors of income of the informal sector operators in city of Addis Ababa.

8.2.2.4 Objective 4: Make informed policy recommendations for ways of making the informal sector effective for the development of Ethiopia.

In the literature review, it was explained that Ethiopia has pertinent policies that have a strong link with the development of the informal sector and the youth employment. Furthermore, the informal sector in Ethiopia is coordinated under a framework that brings all actors into play and is steered by key institutions such as the TVET agency, the city administration, micro finance institutions and the MSEs Agency. The critics argue that these policy packages are not inclusive enough of non-political party members as the government implements them in favour of young people who are members of the ruling party (Independent Advisory Group, 2020).

In Addis Ababa, ethnically based networks are gaining importance concerning a new political dimension with the aim of increasing their constituency in accordance with

their ethnic backgrounds (Meester & Ezzeddine, 2021). The consequence is that unequal treatment is a common problem within informal sector management.

When comparing the literature with the findings of the thesis study, it is interesting to note that out of the total interviewed respondents, 91.9% shared that they wished to formalise their businesses and did not want to remain in the informal sector forever; while 3.5% preferred to continue in the informal sector and the rest wanted to diversify their businesses. Out of the total interviewed, 72.9% applied for formalisation, while 27.1% had not applied. The main reason for not being registered for formalisation was cited as discrimination in terms of ethnicity and entailed too many complicated procedures. For the integration of the informal system in the formal system, the key and decisive factor was improving the incomes and asset possession of the informal sectors. If the income growth reached a certain level, the government integrated it with the formal system or the business itself reached a level it could no longer operate in an informal way. When businesses are mature, they require the paying of taxes, getting a licence, becoming attached to formal bank institutions, or diversifying or expanding their business to other branches and regions. Hence, a universal approach does not work for the integration of all sorts of informal sectors.

The study found that three paths should be followed for the integration of the informal sector to formal systems, of which the first is integrated multidimensional support from the government with modest efforts from informal sector individuals. In this regard, the KII participants highlighted that there should be clear, inclusive, non-discriminatory, and updated guidelines that enable the informal sector workers to operate in the city. Most of the procedures currently in use were not applicable to the present conditions. The priority areas emphasised for designing sound policies with strong and inclusive operative guidelines included, working premises, skills training, loan provision, and market linkage. As stipulated in the policy, the government is responsible to give jobs for the growing youth entering to the labour force newly. Hence, it is extremely important to provide the informal sector workers with business locations for warehouses, production sites, shops for the retail commodities, temporary shade, and

premises so that they create jobs for themselves and others. The study shows that only 15% of the respondents (all of which were from the regulated sector) and who were engaged in informal business had applied for bank loans to sustain their businesses, while 85% had not applied. Among those respondents who had applied for bank loans, only 50.9% succeeded in obtaining a loan, whereas 49.1% were unsuccessful. Those who were unsuccessful in obtaining bank loans were asked why they had not been successful. More than 52% mentioned too many complicated procedures, 24.3% expressed the view that too much collateral was asked by the banks, and 12.7% of them mentioned the high interest rates and 6.5% indicated the non-correspondence of loans with their interests.

Should a path be followed of minimal support from the government and maximum efforts from the individuals, then the findings from the KII interviews that the problem of the informal sector was not only at the operational level but was the result of strategic issues, should be considered. One key response factor for the integration with the formal system should be implementing a curriculum for skills training and education. The study has found that formal vocational training is not responsive to the needs and constraints of the marginalised and vulnerable informal sector workers because the education requirements are high, and the training delivery mechanism is rigid. Therefore, the KII from the informal sector as well as the government experts suggested the need for promoting marketable skills through the informal sector tailored curriculum to increase the employability, productivity and income generating capacity of informal sector workers. This aims to enhance informal sector workers access to vocational skills both by developing an appropriate training curriculum as well as by providing the opportunity to transform marginal and survival skills into employable skills. The informal sector workers with experience were not able to get better paying jobs due to the lack of an assessing and certification process. The KII highlighted that those skills developed through informal processes, such as apprenticeships or working in household businesses, are not recognised and certified, and there is no opportunity to upgrade the informal sector workers' skills, get a certification and secure better paying jobs. A skills assessment and certification system should be established to

create a linkage between the formal and informal TVET system. This will be done by working with the government to develop standards for selected skills and setting up a system of assessing, upgrading and/or certifying the skills acquired through informal experience and learning for implementation on a larger scale. In addition, if the skills that are to be certified do not fall within the existing occupational standards, then there is a need to develop occupational standards for these again by expanding and improving the services the CoC is providing.

Should a path of 'natural' metamorphosis be followed, with little support from the government and more efforts from individuals, then the informal sector workers themselves can adapt and create their realm of environment for the improvement of their livelihoods. One strategy explored to integrate the informal sector with the formal system is by encouraging its normal metamorphosis without any negative interference by the government. If they are freed from police raids and harassment, they can achieve their fundamental rights and opportunities for income security, livelihood promotion and entrepreneurship capacity through their own system through their social capital, including social networks, such as, the IDDIR, IQUB and individual support, which have a direct relationship with the level of household poverty.

8.2.2.5 Objective 5: Contribute to the academic debate on labour informality and development

The literature review established that higher dependency ratios result in an oversupply of large cohorts of young people and, thereby, the role of the informal sector in easing the problem of unemployment in Addis Ababa (Elias, 2015:12). The research for the thesis confirmed that three out of four informal sector workers were migrants who came in search of employment. The backgrounds of migrants who joined the informal sector were from households with many dependents at household level. The origin of the migration flow and the population density of the regions correlated as most migrants originated from Wolaita, Gurage, and other similar areas with the highest rural population density. The land sizes of the households were too small as they had

been divided among several siblings from generation to generation. The informal sector workers were young people aged 18 to 28 years, but most of them had come to the city and started this informal work from the ages of 12 to 15 years. The entry into the sector was on rise as the age of the Ethiopian population started shifting in favour of the working population.

8.3 RECOMMENDATIONS STEMMING FROM THE STUDY

The recommendations of the research are organised in terms of the policy and practical relevance and proposals, as described below.

8.3.1 Policy recommendations

This study found that some informal sector and population policies were outdated and needed reviewing. For example, the current population policy of Ethiopia had been approved and had been in use since 1993 and was too old to accommodate new ideas for practice. Similarly, the MSEs Strategy (2016) was put in place in 1997 (though revised in 2011) and some of the contents in it were not practical.

The government should not consider a universal approach to formalisation, because the informal sector is diverse and the approach to manage them should also differ accordingly. The most crucial cut off point for formalisation should be the growth level that should dictate the integration with the formal system. The growth level refers to a threshold where the informal sector workers need to pay taxes, should get a licence from the government, should be attached to formal bank institutions, or diversify or expand their business to other branches and regions. At that level, it is mandatory for the informal sector workers to be formalised to access these services. Hence, the government should acknowledge the different modalities indicated in Figure 8.2, and paths that can enable the informal sector to become mature to become a formal business.

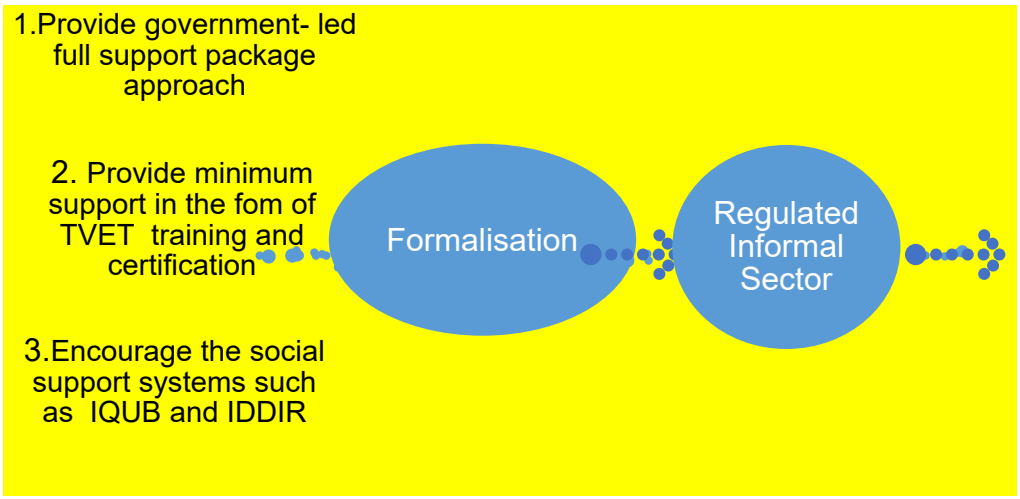

Figure 8.2: Different approaches that can lead to the formalisation of the businesses

Source: Author (2022)

Ethiopia is at the crossroads where the policy choice it makes can have a profound effect on its development. Hence, the government of Ethiopia needs to identify, institutionalize, design, and implement appropriate strategies for harnessing the demographic dividend in Ethiopia. It needs thorough planning of the supply side, it means a shift in the structure of the population and demand side, means employment creation. As Ethiopia is at the centre of a decline in mortality, alongside the significant decrease in the fertility rate, there are many children and a number of young people entering the labour market at the same time. The policy makers of Ethiopia should reconsider its approach to human capital development, employability, skills formation, and the quality of health, which increase productivity in the long run.

The government of Ethiopia should be conscious of supporting the deserving regions that are vulnerable and are sources of migration to Addis Ababa. For example, out of the total informal sector workers, the majority (40%), were from the Southern Nations and Nationalities Region, mainly from Wolaita (25.3%) and Gurage (14.5%) followed by Amhara (26.5%); Oromia (17.7%) and finally, Tigray (10.8%). These regions are known for their volatile demographic dynamics, which deserve special attention, especially the structure, integrated long-term grand projects with components of

demographics, economic improvement, employment creation, and migration-related interventions. All regions should not be guided by the same policy and the same frameworks as Ethiopia is extremely diverse and is a vast country. The areas mentioned have special problems and deserve special attention, especially policies and plans. This needs a strong institution at federal level bestowed with the power to implement, coordinate, and integrate the efforts of federal and regional bodies.

The government should design a system to link the formal and informal sector through informal sector tailored training, and certification to build the skills of the informal sector. The KIIs from the expert group made the following recommendations:

8.3.1.1 The informal sector training curriculum should be prepared in an inclusive and participatory manner

- A network of stakeholders who could consult and guide the overall process of the design of a curriculum and certification process for the informal sector should be created.
- The key network members from the Addis Ababa TVET Agency, employers, vocational skills training structures and representatives of informal sector workers should be engaged.
- Based on the agreed terms of reference, the network should elect a steering committee and establish a core group.
- A labour market survey should be conducted for the identification of skills focusing on the informal sector, but also not excluding the formal sector.
- Based on the results of the labour market survey, network members and stakeholders should identify skill types, which are in high demand by the market.
- If all or some of the skill types have already developed a curriculum for the formal sector, then these skill types should be identified for revision to include courses relevant for the informal sector. If all, or some of the identified skill types, do not have an already developed curriculum, a full curriculum development process should be undertaken.

- The experts will then develop the curriculum, training methodology and training materials. Each of the curriculums should include technical skills, a basic business development course, a course on work ethics and attitudes and a course on cooperative development. The curriculum for each of the skill types should be validated at a workshop.
- The validated curriculums should then be published and launched and be disseminated to vocational skills training centres and regional TVET agencies to facilitate the scaling up and replication of the materials.
- The training centres should take the lead in the training of Informal sector workers.

8.3.1.2 The Centre of Competency should test, certify, and formalise the skills acquired through informal training

- Informal sector workers who have acquired skills informally, should be provided with skills upgrading training before certification.
- Linkages should be created between the formal and informal TVET sectors through the development of standards for the skills, assessment of skills against the standards and certification of skills for the informal sector workers.
- If the identified skill types do not have occupational standards, the necessary standards should be prepared with the support of the Addis Ababa TVET Agency.
- Informal sector workers trained in the new curriculum and those who have acquired skills through informal training or through training in non-formal skills training centres, should be encouraged to be tested and certified.
- The availability of the competency certification service should be publicised and promoted through the network using flyers, brochures, and the media.

8.3.2 Practical recommendations

- The KII participants disclosed that, at the policy level, the government acknowledges the right of all citizens to work, with a commitment to support

young people by providing jobs, registration services for a regulated status, loan provisions, market linkages, and other support. However, in practice these policy packages are not implemented and are not inclusive enough of non-political party members. The government has sidelined some ethnic groups who were engaged in street vending without giving them an alternative place to work. The rights of all citizens should be respected equally in accessing all sorts of support as the harassing of informal sector workers is not a solution for the unemployed youth who have no other options. The city administration should give equal rights to all citizens who migrated to the city by allowing them to live and giving them an Addis Ababa ID card, which is the access code for all services in the city.

- The government should implement points highlighted in the informal sector SWOT analysis by capitalising on the identified strengths and opportunities, and by also resolving the weaknesses and threats identified. The qualitative data from the KIIs highlighted that the strengths of the informal sector in Addis Ababa were easy to start businesses, need a small amount of capital to run a business, being one's own boss and can operate at will. The weaknesses included the facts that jobs were provisional, the variability of revenues, and a long time was needed for capital development. The opportunities were: the availability of young and cheap labour, diversity of the informal business, the high demand by low urban income households, frameworks to support, local and indigenous knowledge. The threats were: favouritism and the ethnic grouping of the sector, illegality, lack of an inclusive policy, tax evasion, avoidance of labour regulations, and volatility to political changes.
- The TVET training institution should provide technical and business management training for illiterate and less educated informal sector workers. The institutions should ease the criteria, such as demanding several documents including an Addis Ababa ID card, which the non-regulated workers could not obtain.
- To integrate the informal sector with the formal system, top priority should be given to the development of micro-finance institutions to broaden their reach and

improve access to commercial credit, together with the appropriate mechanisms for loan provision and collection. There is little effort to organise the non-regulated informal sector workers although many non- regulated informal sector operators have completed an application and requested the MFIs to save the premium.

- The city communication office should allow informal sector workers to voice their complaints and issues and should not be favour only the ruling party.
- The Addis Ababa Trade and Industry Bureau should ease the criteria for the registration, as the informal sector workers could get neither the licence, nor supporting letters from the cooperative office nor the Kebele ID card.
- The Addis Ababa Women and the Youth Affairs Bureau should promote an attitude change towards the working habits of women, and the youth and advocate the informal sector rather than being silent, while the police harass and hound the women and the youth engaged in the city. Moreover, it should strengthen women's empowerment by tackling economic, social, cultural, political, and geographic barriers.
- The city government should design mechanisms for the targeting of social assistance and economic recovery measures for ensuring the continuity of education. On the supply side, social protection schemes, including school feeding programmes should be strengthened and should be tailored to the needs, characteristics, and potential of the various sub-sectors of the informal economy to reduce the number of dropouts from school due to poverty and vulnerability.
- Launch an effective literacy programme with strong leadership backed by the financial commitments, the relevant skills using the appropriate methods and language, and design an appropriate curriculum related to the daily lives of the people.

8.3.3 Recommendations for further research

- In a context where the employed population has not increased in the formal sector, and where migration to the city is increasing, the question is why the number of people engaged in the informal sector is decreasing. The reason may be that the data have captured only those involved in the regulated informal sector, and the majority who have migrated to the city and engaged in the non-regulated operations. Another reason for the underestimation may be the definition that the government attached to the informal sector. This discrepancy must be studied, and informal sector modelling can be used to categorise different sub-sectors into meaningful economic units for effective development planning.
- While undertaking this study, the researcher was struck by the presence of child labour in informal activities to earn money to cover their daily needs. Almost all of them had migrated from the Southern Ethiopia Wolaita areas where the population pressure was extremely high. The majority of them were involved in a petty business called *temezen* that entailed putting a scale on the ground and inviting any passerby on the street to get weighed and receive one Birr for this service. These were very young children, migrants, extremely harassed, and not attending school (they could not even read the scale). All these matters need significant attention and study.
- While conducting the analysis, the administrative demarcation identifying districts between Addis Ababa and the Oromia surrounding the city were put in place (Advocacy for Oromia, 2023). That decision has reduced around one fifth of the city area and included into the population of Oromia. Hence, a study should be conducted to understand the implication it will have for the informal sector workers in Addis Ababa.
- The respondents of the KIIs expressed the need for a critical transformation of the informal economy. They stressed the need for having clear business ideas and a vision, an entrepreneurial mentality, skills, transformation capacity, perseverance of the individuals, behaviour regarding saving, intelligence,

wisdom, and interpersonal communication. A multidisciplinary study of the ideal characteristics of entrepreneurship is needed.

- One can observe that in Ethiopia, every socio-economic issue is seen through the lens of ethnicity and is interpreted in terms of ethnic politics. Currently, the informal sector is a victim of ethnicity and the effect of this is extremely bad. Hence, it needs a further study to understand its extent and implications.
- While undertaking this research, one big phenomenon that affected the world was the occurrence of the COVID-19 pandemic, which had a serious effect on the subsistence of informal sector workers given that the informal workers in the cramped housing conditions in the city were the hardest hit by the virus and that the COVID controlling measures had an adverse effect on the livelihoods of the workers. Hence, it required comprehensive informal economy surveys to understand its impact on the lives and livelihoods of the workers.
- The challenges and potentials of harnessing demographic dividends in Ethiopia is a pertinent area of possible future research, particularly, examining the potential economic, social, political, and institutional policy context of Ethiopia.

8.4 CONCLUSION

This chapter has summarised the research highlighting the usefulness of the chosen methodological strategy and theory, the findings in terms of the stated research objectives, and key recommendations. The youth bulge of Ethiopia cannot be absorbed in the formal economy of Ethiopia. As a result, the new cohorts in the potential income-earning ages are forced to engage in the informal sector. In view of that, the researcher based his argument on the demographic dividends model and revisionist school of thought as a lens for this study. The researcher chose a pragmatic mixed methods strategy to inform the sampling strategies and data collection tools.

The study has analysed the role of informal sector in contributing as a safety net for the unemployed youth in terms of: Income growth, food security, level of education,

and dependency ratio for regulated and unregulated informal sectors at the household level in Addis Ababa. Moreover, the key characteristics that determine the effectiveness of the informal sector, and mechanisms to link informal to formal system for the purpose of development were also examined. The study confirms that unemployed people from areas with high population density such as Wolaita and Gurage move from rural to urban areas for economic opportunities. Moreover, youth in informal sector intend to reduce the Youth Dependency Ratio in Addis Ababa by not getting into early marriage and giving birth. In addition, the income of informal sector workers increased with the joining of the non-regulated and then further improved with the regulated status.

Furthermore, this study has spelt out factors that determine the success of the informal sector in Addis Ababa reflected in terms of the income and asset differentials, that include, having an Addis Ababa ID card; age of household; ethnicity; sex of household; educational level; skills training; status of being regulated and non-regulated; working premises; market linkage; and loan access. The mechanisms suggested to effectively integrate the informal sector into formal system are analysed in this thesis.

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APPENDIX A: ETHICAL CLEARANCE CERTIFICATE

UNISA university of south africa

COLLEGE OF HUMAN SCIENCES RESEARCH ETHICS REVIEW COMMITTEE

29 July 2020

NHREC Registration # :
Rec-240816-052
CREC Reference # : 2020-CHS-Depart-67133010

Dear Abraham Asha Herano

Decision:
Ethics Approval from 29 July 2020 to 29 July 2023

Researcher(s): Abraham Asha Herano

Supervisor(s): Prof GE DuPlessis

Dplesge@unisa.ac.za

The role of the informal sector as a safety net for youth unemployment in Addis Ababa

Qualifications Applied: PhD in Development Studies

Thank you for the application for research ethics clearance by the Unisa Department of Developmental Studies, College of Human Science Ethics Committee. Ethics approval is granted for three years.

The *low risk application was reviewed and* expedited by the Department of Development Studies College of Human Sciences Research Ethics Committee, on 29 July 2020 in compliance with the Unisa Policy on Research Ethics and the Standard Operating Procedure on Research Ethics Risk Assessment.

The proposed research may now commence with the provisions that:

1. The researcher(s) will ensure that the research project adheres to the values and principles expressed in the UNISA Policy on Research Ethics.
2. Any adverse circumstance arising in the undertaking of the research project that is relevant

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to the ethicality of the study should be communicated in writing to the Department of Development Studies Ethics Review Committee.

3. The researcher(s) will conduct the study according to the methods and procedures set out in the approved application.
4. Any changes that can affect the study-related risks for the research participants, particularly in terms of assurances made with regards to the protection of participants' privacy and the confidentiality of the data, should be reported to the Committee in writing, accompanied by a progress report.
5. The researcher will ensure that the research project adheres to any applicable national legislation, professional codes of conduct, institutional guidelines and scientific standards relevant to the specific field of study. Adherence to the following South African legislation is important, if applicable: Protection of Personal Information Act, no 4 of 2013; Children's act no 38 of 2005 and the National Health Act, no 61 of 2003.
6. Only de-identified research data may be used for secondary research purposes in future on condition that the research objectives are similar to those of the original research. Secondary use of identifiable human research data require additional ethics clearance.
7. No fieldwork activities may continue after the expiry date (29 July 2023). Submission of a completed research ethics progress report will constitute an application for renewal of Ethics Research Committee approval.

Note:

The reference number **2020-CHS-Depart-67133010** should *be clearly indicated on all forms of communication with the intended research participants,* as *well* as *with the Committee.*

Yours sincerely

Signature :

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Telephone: +27 12 429 31 11 Facsimile: +27 12 429 4150
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APPENDIX B: RESEARCH ACCESS APPROVAL

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MESSI TRANSLATION AND LANGUAGE EDITING SERVICE

: Tel: +251 9 22 695687/+251 9 13 566800 Email Messitranslate@gmail.com
Add: Yeha Building 2nd Floor

Emblem

Addis Ababa city administration

Job creation and food security office

Ref No 410204/025/64/857

Date Nov 06/2022

To Addis Ketema sub Job creation and food security office

To Yeka sub city Job creation and food security office

To Gulele sub city Job creation and food security office

Addis Ababa

Subject: Concerns Requesting for job Coordination

Mr. Abereham Asha Herano is attending PHD in university of South Africa which is found in South Africa requested for cooperation for his research.

Therefore we request that you provide every support during the time Mr. Abereham Asha Herano comes to our sub city for research purpose ` We have sent photocopy of support letter written by the university of one page with this letter`.

With regards

Dawit Tesfaye

Emblem

Addis Ababa city administration

Job creation and food security office

0922695687
0902480135
Messi Translation & Secretarial Services

Mesecret Tsegaye
General Manager

APPENDIX C: INFORMED CONSENT

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Add: Yeha Building 2nd Floor

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Addis Ababa city administration

Job creation and food security office

Ref No 410204/025/64/857

Date Nov 06/2020

To Addis Ketema sub city small and microfinance Enterprise office

To Yeka sub city small and microfinance Enterprise office

To Gulele sub city small and microfinance Enterprise office

Addis Ababa

Subject: Concerns Requesting for job Coordination

Mr. Abereham Asha Herano is attending PHD degree in university of South Africa which is found in South Africa requested for cooperation for his research.

Therefore we request that you provide every support during the time Mr. Abereham Asha Herano comes to our sub city for research purpose ` We have sent photocopy of support letter written by the university of one page with this letter`.

With regards

Alemtsehay Pawlos

Emblem

Addis Ababa city administration

Job creation and food security office

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Messi Translation & Secretarial Services

Meseret Tsegaye
General Manager

APPENDIX D: QUESTIONNAIRE

PRIMARY DATA COLLECTION TOOLS

A. Household Survey Questionnaire

I. Interviewer Identification

Interviewer _____ Mobile No. _____ Date: _____
Interviewed_____ Interview started_____ Interview completed _____
Signature _____

II. Location and Identification of the respondent

Code	ID	Responses
01	Name of the Respondent	
02	sex	1. Male 2. Female
03	Sub City	1. Addis Ketema 2 Gulele. 3. Yeka
04	Age	
05	Woreda	1. AK-Woreda 08; 2.G-Woreda 3; Y-Woreda 02
06	Mobile Telephone	
07	House telephone	
08	House Number	
09	Are you engaged in the informal sector work?	1. Yes 2. No
10	Is your business Regulated or None regulated?	2. Regulated 2. Non-regulated

III. Demographic Data

A. Location and Identification of the Respondent

Relation (head=1, wife=2, child=3, others=4)	Ethnicity Amhara=1, Oromo=2, Gurage=3, Tigrawai=Wolaita =5 others=6)	Religion (Christian=1, Muslim=2, others=3)	Marriage (currently Married=1, divorced=2 widow=3, separated=4, never=5)	Read & write (yes=1, no=2)	Education level(years)	
					Before	Now
011	012	013	014	015	016	017

(018)Are you migrant? 1. Yes 2. No	(019)If yes, What was your age when you left your place of birth?	(020)Why did migrate? 1. Poverty 2. Unemployment 3. Social discrimination 4. Conflict and instability 5. Others
(21)Family size of your	(22)How many	(23)How many engaged in

parents			siblings migrated from your parents' to other areas?	informal sector
Age	Before	After		
<5 years				
5-9				
10-14				
15-19				
20-24				
29+				
(24)How many years have you lived in Addis Ababa?			(25)Do you have the kebele ID card? Yes=1; No=2	(26)What was the total ha. of land your parents hold? -before you migrate---- -now.....

(27)Your Family size:			(28)How many children do you intend to have additionally?
Age	Before	After	
<5 years			(29)Are you using family planning 1.Yes 2. No
5-9			
10-14			(30)If yes, what type of contraceptives do they use? Pills=1; Condoms=2; Dippo Provera=3 ; IUD=4; Norplant=5, Others=6
15-19			
20-24			
29+			

IV. Employment Data

(31)Have your family members engaged in informal sector Yes=1, No=2	(32)If yes, how many are they?	(33)How many years since you started this business?
(34) What type of work are you engaged in? 1. Traders; 2.producer; 3.service providers	(35) Do you get adequate market linkage? 1. Yes...2. No...	(36) Have you got any credit facility to run and expand your business 1.Yes.... 2. No..
(37)How many employees do your enterprise had? 1. When it first established? 2. Currently	(38)How much capital did you have When you start..... Currently.....	(39)What is the number and value of your productive assets? When established: Number,... Value in Birr...., Now: Number,... Value in Birr.....
(40)What are the major problems you have faced in running the enterprise? Multiple answer is possible 1. Lack of market	(41) Why do you operate in the informal sector?/Multiple answer is possible/ 1. It is the only	(42)Have you obtained loan from government or non-government organizations to run this business? 1. Yes 2. No

2. Lack of space 3. Lack of financial services 4. Lack of skill 5. Lack of support 6. Un-supporting policy 7. Others, specify,	source of income 2. To avoid taxation 3. it is highly profitable 4. Has not fulfilled minimum requirements for registration 5. Others, specify	(42)If yes, how much loan have obtained? …
(43)What is your future plan with regard to the small business you are running now? 1.No plan; 2. Continue as informal; 3. Diversification; 4.Formalization 5.Informalization 6. Quitting. 7. Others, specify ….	(44)If your answer is formalization What steps have you taken? 1. Applied for registration 2. Involved in kebele activities 3. Talked to authorities 4. Gave corruption to organizers 5. Others, specify	(45) What are the major problems for inability for formalization? 1. lack of AA ID card 2. discrimination by ethnicity 3. financial problem 4. lack of information 5. others, specify …..

V. Food Security and food consumption

Indicators	Before informal sector	After informal sector
(46)How many months can you feed your family in a year from what you produce or income you earned?		
(47)What is the number of meals consumed per day in normal periods?		
(48)What is the number of meals consumed per day in bad seasons?		
(49) Is the food shortage condition increasing or decreasing over the last 10 years? 1. Increasing; 2. Decreasing; 3.No change		

Coping strategy	A. Have you used these in the last 12 months?	B. How often do you use these strategies (all the time=1, pretty often=2, once in a while=3, hardly at all=4)	C. How severe is the problem?(not severe=1, moderate=2, severe=3, very severe=4
(50)Reduce number of meals			
(51)Reduce quality of food			
(52)Eat unacceptable food type			

VI. CASH INCOME

(53) Have you and your family members engaged in any income generating scheme?
(54)If yes, what is the share of household income fromthe informal sector work for you and your family members? 1. Below 25%; 2. 25-50%; 3. 50-75%; 4. 75-100%
(55) Average monthly per capita income at household level before and after joining informal sector? 1. Yearly income before..... 2. Yearly income now.....

VII. CASH EXPENDITURE

(56) Approximate Family Expenditure (the last 12 months)	A. Duration	B. Monthly expenditure	C. Annual expenditure
Staple food	Monthly		
Non staple foods (sugar, spices, coffee, etc)	Monthly		
Education costs	Semester		
Health treatment and drug costs	Annual		
Saving	annual		
Productive assets/investment	annual		
Others	annual		

APPENDIX E: INTERVIEW SCHEDULE

VIII. Education and training

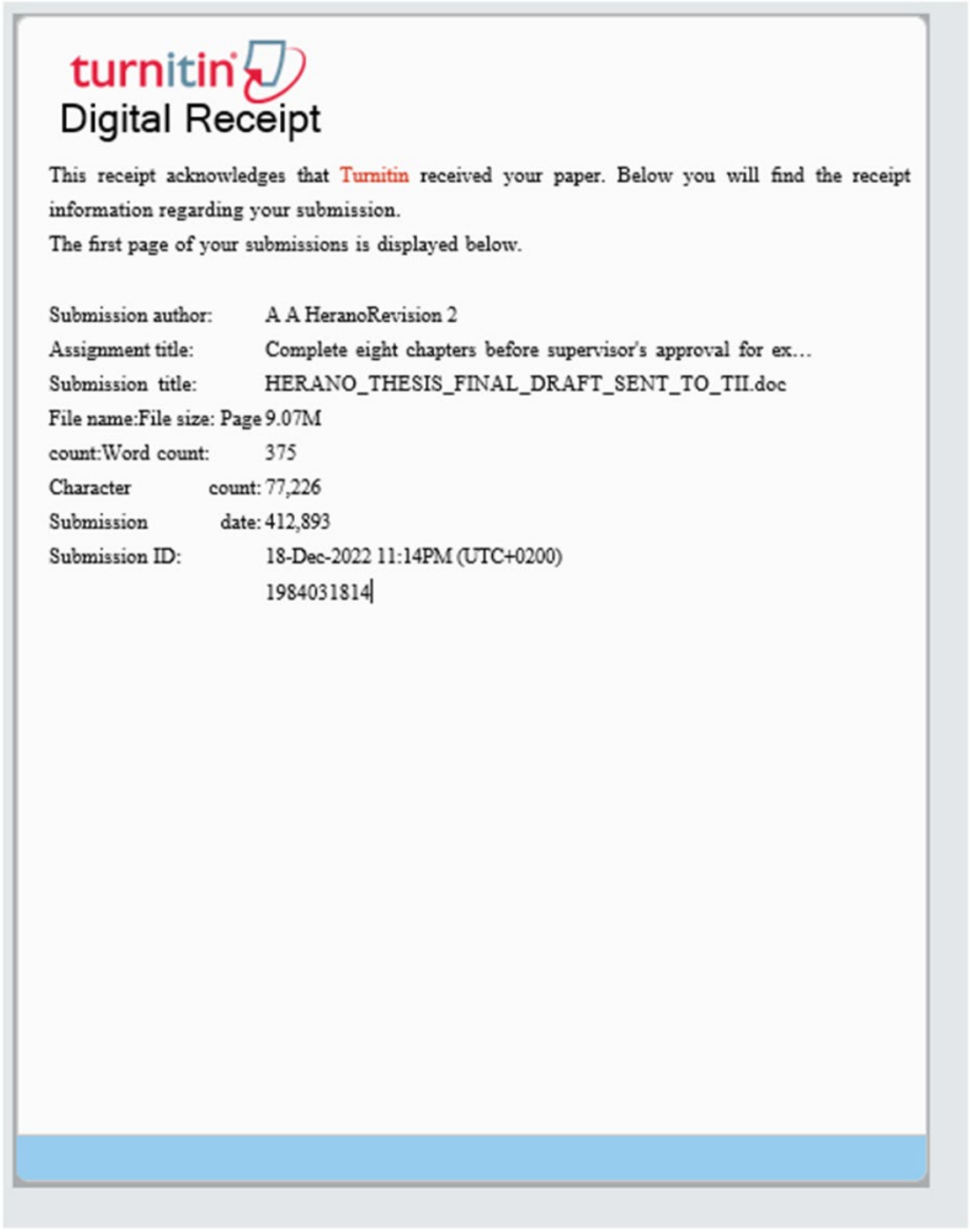
(57)Highest grade completed: Before ..... after .....
(58)The average years of schooling for the household .....
(59)Have you got vocational or skill training to run the business 1. yes...2.No.....

B. Key Informant Questionnaire

1. How is the link between Youth Dependency Ratio, oversupply of labour and informality in Addis over years?
2. What are the main policy tools for both the regulated and non-regulated informal sector? Strengths, weakness, opportunities, and threats?
3. What are the main criteria for being organized into regulated MSEs?
4. Analyse the demographic, economic and social aspects of youth and their participation in the regulated and unregulated informal sectors in Addis Ababa.
5. What are the advantages and disadvantages of being regulated or non-regulated informal sector in Addis?
6. Describe the characteristics of households in Addis Ababa who have young people employed in the regulated and unregulated informal sector in terms of income, education, skills training and food security
7. Examine the factors that shape the effectiveness of the informal sector to become a successful safety net for youth unemployment in Addis Ababa.
8. What is the role of informal sector in contributing as a safety net in terms of increasing per capita income, food security, mean years of schooling, creating job opportunities?
9. In your opinion, does the informal sector in Addis Ababa has been increasing or decreasing? Why?
10. How can informal sector workers be linked to or integrated more effectively with the formal sector for the purpose of development?
11. What are likely development trajectories for the informal sector: Graduation of informal sector criteria, Number of firms graduated trend-wise, enabling and hindering factors for the graduation.

12. Typology/Metamorphosis/Transformation to formalisation from non-regulated to regulated.
13. What are the strategies practised by the informalsector towardsformalization?
14. What are the serious difficulties they face when they start this business?
15. What are the possible policy recommendations for ways to make the informal sector effective for the development?

APPENDIX F: TURNITIN FIRST PAGE



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APPENDIX G: LETTER FROM THE LANGUAGE EDITOR 1

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Add: Yeha Building 2nd Floor

Date 5/12/2022

Ref MTSE/2145/2015

To: University of South Africa (UNISA)

Department of Development Studies

Subject: Language Editing of MR HERANO ABRAHAM ASHA'S Thesis

This is to kindly endorse that the language editing was thoroughly made for the thesis entitled **'THE ROLE OF THE INFORMAL SECTOR AS A SAFETY NET FOR YOUTH UNEMPLOYMENT IN ADDIS ABABA'**, written by your student Abraham (Student Number: 67133010) to be submitted in accordance with the requirements for the degree of DOCTOR OF PHILOSOPHY in the subject DEVELOPMENT STUDIES .

Accordingly, our comprehensive editing of this PhD document has entailed the following:

- Reviewing content for coherency
- Correction of spelling, choice of words, grammar, syntax and punctuation
- Consistency check of spelling, hyphenation and capitalization
- Checking consistent use of keywords/phrases
- Checking in-text citations against reference list and correcting
- Technical formatting includes attention to styles, font and consistent formatting throughout the document
- Numbering of tables and figures checked and corrected
- Positioning of captions for tables and figures checked and corrected
- Checking and correction of foot/endnotes
- Generating a hyper-linked Table of Contents (TOC), including lists of figures and tables

If you have any queries kindly please contact the chief editor in the address below

Name: Mekonnen Gutema (PhD)
WhatsApp Number: +251913566800/251921317597
Email: mekgutema@gmail.com
Sincerely,

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APPENDIX H: LETTER FROM THE LANGUAGE EDITOR 2

CAROL JANSEN LANGUAGE EDITING SERVICES

P.O. Box 428

BRONKHORSTSPRUIT

1020

09 July 2023

To whom it may concern

Certification of language editing done.

I hereby declare that I have edited the language, grammar and structure of the thesis entitled "The role of the informal sector as a safety net for youth unemployment in Addis Ababa" by Abraham Asha Herano, Student No 67133010.

I am an experienced language practitioner who has edited numerous theses and dissertations for Unisa, the Tshwane University of Technology (TUT), and the University of Pretoria.

Carol Jansen

Language practitioner

Cell no: 082 9200312

MA (Linguistics Stellenbosch University)

BEd (Unisa)

BBibl (Hons) (Unisa)

H Ed (Unisa)