



ADDIS ABEBA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF PUBLIC ADMINISTRATION AND DEVELOPMENT
MANAGEMENT

The Role of the Informal Sector for Women Economic Development: A Case Study on Women Traders in Kolfe Keraniyo and Yeka Sub Cities in Addis Ababa City Administration – Ethiopia

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Thesis Submitted to the School of Graduate Studies of Addis Ababa University in Partial Fulfillment of the Requirements for the Master's Degree in Public Management and Policy

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DECLARATION

I Yodit Abebe, declare that this Master's thesis, entitled "*The Role of the Informal Sector for Women Economic Development: A Case Study on Women Traders in Kolfe Keraniyo and Yeka Sub Cities in Addis Ababa City Administration – Ethiopia*" is my original work submitted for the award of Master's Degree in Public Management and Policy at the Department of Public Administration and Development Management, College of Business and Economics, Addis Ababa University. It has not been presented for the award of any degree or other similar titles in any other institution of higher learning to the best of my knowledge, and all sources used have been duly acknowledged.

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ACRONYMS

AU-	Africa Union
AFDB-	Africa Development Bank
AFD-	Agency Francaise de Development
CE-	Care Ethiopia
CSA-	Central Stastical Agency
CIA-	Central Intelligence Agency
DC-	Developed Countries
E.C. -	Ethiopian Calander
EU-	European Union
ETB-	Ethiopian Birr
ERSS-	Ethiopia Rural Socioeconomic Survey
FDG-	Focus Group Discussion
GNI-	Gross National Income
GDP-	Gross Domestic Product
GVA-	Gross Value Added
ICLS-	International Conference of Labor Statisticians
ILO-	International Labor Organization
IMF-	International Monetary Fund
LDCs-	Less Developed Country
LRT-	Likelihood Ratio Tests
MOLSA-	Ministry of Labor and Stastical Authority
MDG-	Millennium Development Goals
MCMSDO-	Mother and Children Multi-Sectoral Development Organization
ML-	Maximum Likelihood
NGO-	Non Governmental Organization
SRS-	Simple Random Sampling
OECD-	Organization for Economic Co-operation and Development
OR-	Odds Ratio
WIEGO-	Women in Informal Employment, Globalizing and Organizing
WB-	World Bank

ABSTRACT

This study investigates the “Role of the Informal Sector for Women Economic Development in two sub cities in Addis Ababa City Administration.” The main objective of the study was to assess what women can do in the informal sector for their economic livelihood in terms of employment creation, income generation, and household support and, for poverty reduction. A total of 196 questionnaires were administered on the sampled women informal sector operators in the two sub cities. In addition, interviews with government officials and NGO were also conducted. The collected data were analyzed qualitatively and quantitatively. The hypotheses are tested by using qualitative and quantitative data. Based on the findings of the study, the researcher identified and discussed the direct and indirect benefit of the informal sector and looked in to the livelihoods of poor women as well as the major challenges encountered during the operation of the business. The study revealed that the informal sector has a positive role to play for women in economic development in terms of job creation, income generation, and household support and poverty reduction. It enables women to expand their income generation scheme through the opportunity it creates for them to earn income that they use for the welfare of members in their households. The sample respondents stressed the importance of the informal sector for alleviating household poverty. The study also identified the major challenges of the operators such as lack of working place, shortage of working capital, problems faced by the code enforcement police, (lack of encouragement by the government police), and no access to credit facility and women operators do not see an increasing demand for their items on the sale. Finally, in order to minimize and alleviate the problems faced by the women economic operators, some options are recommended to policy makers or for concerned government bodies. These include empowering informal traders by creating more favorable environment for trade, and improved access to market, providing credit facilities, and information on how to build, organize and make success on small business.

Key words: Informal Sector, Women, Economic Development

CHAPTER ONE: INTRODUCTION

This chapter presents:- background of the study, statement of the problem, objectives of the study, research questions, conceptual framework and hypothesis of the study, significance and justification of the study, delimitation and limitation of the study, and finally organization of the research.

1.1 Background of the study

The Ethiopian government policy to create jobs and reforms, in the late 1980s, has resulted in increasing unemployment and growing involvement of the poor in the informal business sector. The informal economy is also growing in type and scope due to job losses in the formal sector.

The concept of the informal sector was first coined by a British anthropologist Keith Hart, in his 1971 study of economic activities in urban Ghana (Keith, 1997). Hart had the opinion that –self organized economic activities, growing out of people’s everyday lives, however, irregular, and inadequate they may seem to be, ought to modify the perceptions of economy current in development discourse”(Keith,2006). In his 1971 study of the Accra poor, Hart observed that Accra poor were not ‘unemployed’ but were ‘*working poor*’. He further asserted that, “*they worked, often casually, for erratic and generally low return” but they were definitely working*”. He further argued that what distinguished these self employed earnings from the wage employment was the degree of *rationalization* of working conditions. He finally concluded that the formal sector consisted of regulated economic activities and the ‘informal sector of all those, both legal and illegal, lying beyond the scope of regulation (ibid).

In Africa, the informal sector contributes significantly to the Gross National Income (GNI), to job creation, to income generation of the majority of citizens, as well as provision of vital services to the poor segments of the society. This is in addition to its contribution to the formal economy as source of (labor, raw material and market for the products) of the formal businesses sector. A study conducted in seven African Countries (AFD, 2007) estimated that the average contribution of the informal economy to the GNI for African countries south of the Sahara is 42.2% with gross variations across countries which range from 30% in South Africa to 50-60% Benin, Cameroon, Senegal, Tanzania, and Zimbabwe (AFD, 2007).

Similarly, an analysis of the labor market for the African countries south of the Sahara, which made use of statistical data, further indicate that the informal economy represented approximately three quarters of the non-agricultural employment, accounting for 72% of employment with the exclusion of South Africa (Verick, 2006). Furthermore, the study revealed that 93% of the new jobs in Sub Sahara Africa in the 1990s were in the informal economy. This is attributed to, among other factors, a decline in the formal sector (ibid).

Cross-analysis of the informal economy in six African countries shows that the sector is an essential stepping stone to the labor market and employment for the vast majority of young people and adults in Africa including Ethiopia (Richard, 2006). The sector employs up to 31% of South Africa's labor force, 95% of Benin, 90.4 % of Cameroon, 90% Ethiopia, 77.5% Senegal and 66% of Angola (ibid).

The informal sector is a gendered terrain. In Africa for instance, 84% of women are informally employed, as compared to 63% of men (AU, 2008). In fact Africa has the highest share of women employed informally compared to the rest of the world. In Ghana for example, three fourth of the households depend on women small and micro income generating activities for their survival. Similarly many households' particularly poor households depend on women's informal livelihoods for much of their income. And women's informal employment in both agriculture and non-agriculture sectors contributes to the national income (ibid).

According to the World Bank, the informal sector accounts for over half of total non-agricultural employment in Latin America and the Caribbean, nearly half in East Asia and as much as 80 percent in other parts of Asia and in Africa. And, in terms of urban employment, the informal sector accounted for well over half in Africa and Asia and a quarter in Latin America and the Caribbean <http://www.wikigender.org/wiki/women-and-the-informal-economy/>.

At present, there is renewed interest in the informal economy worldwide. In part, this is because the informal economy has grown worldwide and also emerged in new guises and in unexpected places. This renewed interest also stems from the recognition of the links between the informal sector and growth on the one hand and the links between the informal sector, poverty, and inequality on the other. There is increased recognition that much of the informal economy today is integrally linked to the formal economy and contributes to the overall economy; and that

supporting the working poor in the informal economy is a key pathway to reducing poverty and inequality. And there is increased recognition that women tend to be concentrated in the more precarious forms of informal employment, so that supporting working poor women in the informal economy is a key pathway to reducing women's poverty and gender inequality (Martha et al., 2005).

Even if the economy is not registered by the government, it keeps low-income groups occupied with jobs and housing, in the absence of local government capacities and resources. In the absence of the formal sector of the economy taking the major role in employment, the informal sector helps to find solution to generate income for low-income families (IMF, 2013).

It is well documented that informal sector is the major provider of job for the youth in Africa (ILO, 2012). For instance; about 38 percent of youths were engaged in informal sector businesses in Ethiopia (CSA, 2011) and in Addis Ababa out of the totally employed population nearly 26.5 percent of the population are engaged in the informal sector. Besides, the informal economy gives youth opportunities to legal work by offering experiences and self-employment opportunities.

The share of informal sector in the Addis Ababa city economy indicates that the informal sector would play an important role in development through by alleviating poverty, creating employment and reducing income inequality through [by using]small units of production and services (CSA,2014). And from the ten sub cities that are found in Addis Abeba, based on the high population size of the Kifle Ketemas, Kolfe Keraniyo and Yeka sub cities are selected for the study area. Thus, understanding the contribution of informal sector for women economic development is a crucial for the success of economic development policies and poverty reduction strategies.

1.2 Statement of the problem

The unfavorable climate of doing business in Ethiopia and the government policies in place are assumed to be the critical factors for business entry, growth and development in Ethiopia (IFC, 2015). Reforms in the business climate and job creation that emanate from the existing policies of Ethiopia are increasingly resulting in unemployment and barriers to business entry (Tesfaye,

2015). These trends are seemingly perpetuating barriers and the growing involvement of the poor in the informal business sector is the result of these. The informal economy is growing in type and scope in Ethiopia, especially in Addis Ababa City, and women are increasingly related to these informal sector businesses – which scholars categorize as survivalist and growth-oriented (Filmon,2009).

The informal sector remains the major source of employment across Africa, accounting for 70 per cent of employment in Sub-Saharan Africa and 62 per cent in North Africa (AfDB, 2013) and these sectors are yet the most excluded from policy incentives. Even in this context of policy exclusion and lack of support, the dynamism of the informal sector in job creation and value addition is particularly becoming strong. The informal sector accommodates 80 per cent of the total labor force and contributes about 55 per cent of sub-Saharan Africa's GDP in which 9 in 10 informal workers are women and youth (AU, 2011).

According to the AfDB study, the informal businesses account for 35-50% of GDP (AfDB, 2013) in Sub Saharan African countries and more in some cases. The sector contains both entrepreneurial spirit and the struggle for subsistence at one hand and contributes immensely to the GDPs of poor countries in Africa. The informal sector provided critical economic opportunities for the poor and has been expanding rapidly since the 1960s.

The informal sectors come-in in the absence of government capacities and resources and works as protection for families breaking down from poverty in Ethiopia (MoLSA, 2013). The informal economy in Ethiopia is estimated at about 38.6 percent of GDP compared with an average of 38.4 percent for SSA and 38 percent for all low-income countries (IMF, 2013).

The most comprehensive recent study is made by (Elgin and Oztunali, 2012). These scholars operationalized the informal sector as a shadow economy and the estimation showed that the informal sector accommodates about 23% of world GDP. From the angle of both survivalist and growth-orientation arguments of the centrality of informal economy for the poor, the measures and observations vary from economies to economies as well as with diverse policy information. This study therefore proposes the link between informal sector, women, poverty reduction and economic development in Addis Ababa City Administration-Ethiopia – focusing on survivalist-growth-orientation of the informal sector businesses in Addis Ababa.

Therefore, this study aims to operationalize the linkages between informal sector and poverty at one hand and observation and measurement of the objectives of economic development such as poverty reduction, increase in per capita income, reduce unemployment rate, breaking vicious circle of poverty and improving living standards (Ahsan, 2011) and (CIA, 2016) on the other hand.

The linkage therefore constitutes alternative sources of livelihoods and new jobs for women and youth that face barriers in the formal sector (ILO, 2013) by increasing income, self-confidence, skills, work experience, industriousness, sustain economic activities, employment, promotes entrepreneurial spirit. Therefore studying this sector has empirical, policy and scholarly relevance. It also fills the gaps of understanding on comprehensive measures and observations of the role of informal sector for women economic development in terms of job creation, income generation, household support and poverty reduction.

1.3 Objective of the study

1.3.1 General objective

The general objective of the study is to assess the role of the informal sector for women economic development, by taking women traders as a case study in Kolfe Keraniyo and Yeka sub cities in Addis Ababa City Administration-Ethiopia.

1.3.2 Specific objectives

The study has the following specific objectives;

1. To explore the general context in which the informal sector operators in Kolfe Keraniyo and Yeka Sub Cities.
2. Analyse the [-survival-growth orientation dimension of-] the informal sector economic activities that are taken up by low income women economic operators.
3. Assess policy objectives and reforms that support women in this sector.
4. To investigate the main obstacles that would limit the transformation of the informal sector to formal business and formal economy.
5. To look in to the determinants of women livelihoods improvement.
6. To analyse the gender dimension in the informal business activity.

1.4 Research questions

The questions in this study are:

1. What is the contribution of the informal sector to job creation, income generation, for poverty reduction and household support for owners and employees involved in the informal sector?
2. What is the context of the informal sector operators in Kolfe Keraniyo and Yeka Sub Cities?
3. What is the ‘survival- growth -orientation dimension’ of the informal sector?
4. What policy objectives and reforms are established to support women in this sector?
5. What are the main determinants of women livelihood improvement?
6. What are the main obstacles to organize the informal economy in to formal business and formal economy?
7. What is the gender dimension in the informal sector?

1.5 Research hypothesis

Based on the arguments stated earlier in this chapter, this study has the following hypothesis.

- i. **The informal sector is positively correlated with economic development.**

Informal sector can have a role in peoples’ lives, keeping them from poverty through the employment channel, and the development of confidence and skills, building social capital, it has a role on income distribution, make active competition, exploit market functions, improve productivity and technical change and finally creates economic development.

- ii. **The incomes of those involved in the informal sector have increased after joining the informal sector.**
- iii. **Those living in poverty and the informal sector are positively correlated**

There is an overlap between working in the informal economy and being poor: a higher percentage of people working in the informal sector, as compared to the formal sector, are poor. This overlap is even greater for women than for men. Informal workers typically lack the social protection afforded to formal paid workers, such as worker benefits and health insurance, and typically work under irregular and casual contracts (Martha, undated).

iv. **There is a strong relationship between rural-urban migration and being an informal sector operator**

The number of people particularly women engaging in the informal sector is increasing particularly because of alarming rate of migration from rural to urban areas. They search work in the formal sector but most of them find themselves jobless and they join the informal sector to secure employment.

v. **The informal sector leads to empowerment of vulnerable sections, particularly women.**

1.6 Significance and Justification of the study

In Ethiopia, significant efforts have been made to reduce unemployment, poverty and income inequality but its continuing and persistent increase despite the different programs and strategies suggested and put in place by the government, non-governmental organizations, community-based organizations and individuals to reducing it. The performance of these programs and strategies (e.g. structural adjustment, plan for sustainable development and eradication of poverty, millennium development goals, different reform measures, growth and transformation plan) can be traced to the effort in the implementation of the programs to reduce poverty, unemployment and income inequality. However, due to resource constraints, mismanagement of the project/program funds and corruption, the intended program cannot be achieved and this all leads to underdevelopment

The contribution of the informal sector for women economic development have not been adequately understood by different programs and concerned bodies. Since workable recommendation that emanated from the findings and conclusions would have lots of importance for concerning bodies (government and/or policy maker, operators of the economy). Hence conducting this study will give great impetus to the government and concerned bodies and/or policy maker to understand the potential role of the informal sector for women economic development in two selected sub-cities in Kolfe Keraniyo and Yeka Sub Cities. Finally, the findings of this research could also serve as a springboard for interested researchers/scholars to undertake in-depth studies on the same related issues.

1.7 Delimitation of the study

The scope of the study was delimited to unregistered informal sector operators in Kolfe Keraniyo and Yeka Sub-Cities of the Addis Ababa City Administration. The samples to be selected were women street vendors. The study is also delimited to approach relevant government offices and NGO dealing with the issue at hand.

1.8 Limitation of the study

The expected limitations include: some of the government officials and the informal sector operators are not willing to participate in filling out the questionnaires and giving responses to interviews. Some of the operators think that the information they give may be used for other purposes (for tax) and backfire against them even if the objectives of the questionnaire are clearly defined. Time is also another constraint encountered during data collection.

1.9 Organization of the study

The rest of this paper is organized as follows. The first chapter deals with the introduction parts of the study (background of the study, statement of the problem, research objective, basic research questions, significance of the study, scope of the study and organization of the paper). The next chapter would focus on related literature review, scholars' perspectives and theoretical background and empirical studies of the issue under study. The third chapter will be Research Methodology. The fourth chapter deals on data collection, analysis, interpretation, and presentation of major findings of the study. The fifth chapter will contain conclusions, and workable recommendations based on the finding of the study. Finally, list of reference materials, the questionnaire, interview questions are annexed in the appendices.

CHAPTER TWO: REVIEW OF THEORETICAL AND EMPIRICAL LITERATURE

2.1 Introduction

This chapter on literature review raises the development and growth of the informal sector, its main characteristics, features and the linkages between being women and poverty and, the informal sector. It also outlines and discusses the central debates in the literature on the informal economy, and the linkage between the informal sector and economic development. The last section of this chapter raises some research reviews of the informal sector in Ethiopia.

2.2 Definition of the Informal Sector/ Economy

2.2.1 Development and growth of the informal sector/ economy

In the mid-1950s, Lewis developed a theoretical model of economic development based on the assumptions that there was an unlimited supply of labor in most developing countries and that this vast pool of surplus labor would be absorbed as the modern industrial sector in these countries grew (Lewis, 1950). It was therefore assumed that the traditional sector comprised of petty traders, small producers and a range of casual jobs would eventually be absorbed into the formal economy and disappear (Martha, 2002).

The first ILO employment mission in 1972 to Africa, Kenya, recognized that the traditional sector, named the “informal sector”, had not just persisted but expanded. The mission also observed that the informal sector, described as activities that are unrecognized, unrecorded, unprotected or unregulated by public authorities, was not confined to marginal activities but also included profitable enterprises. Furthermore, the activities of the informal sector were mostly ignored, rarely supported and sometimes actively discouraged by policy makers and governments. Economic development had thus failed to create enough modern jobs to absorb the increasing numbers of unemployed people (Becker, 2004).

However, critics argued that economic growth in countries such as Kenya had not been sufficient enough to induce industrial growth for absorbing the surplus labor. Moreover, many believed that the informal sector was marginal and peripheral and thus not linked to the formal economy at all. Nevertheless, contrary to the predictions of many economists influenced by the thinking of

W. Arthur Lewis, the informal sector in developing countries has been steadily growing during the last three decades. A huge pool of surplus labor has thus created its own source of livelihood to survive (Becker, 2004).

2.2.2 Definitions and Characteristics of the Informal Sector

The definition of the informal sector is different in different schools of thought. There are a-lot-of definitions applied by different researchers and in different applications. It is therefore difficult to get one definition on the informal sector because of the heterogeneity - of the nature of the activity. Considering the diverse definitions and applications it has been widely taken as unregulated and unregistered economic activity or enterprise (Kaith, 1973).

This study cannot cover all the existing definitions of the informal economy. However, some of the main definitions in use will be explained in order to illustrate the multitude of perspectives from which the informal sector can be viewed.

The (ILO, 1972) defines the informal economy as follows:

While the informal sector refers to informal enterprises, informal employment refers to informal jobs. Employment in the informal economy can be defined as the sum of employment in the informal sector and informal employment found outside the formal sector.

The informal sector consists of unregistered and/or small unincorporated private enterprises that are engaged in the production of goods or services for sale or barter. The enterprises typically operate at a low level of organization, with little or no division between labor and capital as factors of production and on a small scale. Labor relations are based mostly on casual employment, kinship or personal and social relations. The informal economy is a separate marginal economy not directly linked to the formal economy, providing income or a safety net for the poor. The informal economy also refers to activities and income that are partially or fully outside government regulation, taxation, and observation. The main attraction of the undeclared economy is financial. This type of activity allows employers, paid employees, and the self-employed to increase their take-home earnings or reduce their costs by evading taxation and social contributions(ILO, 1972) and (WB,2001).

2.2.2.1 Definition of the Informal economy/sector by Employment Categories

Informal employment comprise of both self and wage employment that are usually not recognized, regulated, or protected by legal or regulatory frameworks. Informal economy has been identified according to the following employment categories (Amin, 2002) and (ILO, 2003)

- i. Self-employment:- including own-account workers, heads of family businesses, and unpaid family workers;
- ii. Wage workers:- including employees of informal enterprises, casual workers without a fixed employer, home workers, paid domestic workers, temporary and part-time workers, and unregistered workers.
- iii. Employers, including owners and owner operators of informal enterprises.

To sum up, there are three related official statistical terms and definitions which are often used imprecisely and interchangeably: the informal sector refers to the production and employment that takes place in unincorporated small or unregistered enterprises (ICLS,1993); informal employment refers to employment without legal and social protection both inside and outside the informal sector (ibid); and the informal economy refers to all units, activities, and workers so defined and the output from them. Together, they form the broad base of the workforce and economy, both nationally and globally. In general, the informal economy refers to the part of the economy that does not fall under the purview of organized economic activities(Martha, 2012).

From the above definitions we can deduce the following characteristics of the informal sector.

- i. Easy entry and exit from the economic activities;
- ii. Small scale of operation and relatively small capital base;
- iii. Reliance on indigenous resources, finance and material;
- iv. It is mainly a family owned enterprises;
- v. Labour intensive depending mainly on family labour and adopted technology;
- vi. Low receipt of income;
- vii. Skills to operate the business are most often acquired outside the formal school system of education and training;

- viii. They may operate with or without some class of government regulations such as simple licenses, permit, and registered premises.
- ix. Operate outside the boundaries of government laws and regulations governing business in general (Obadan et al., 1996).

2.3 Review of theoretical literature

2.3.1 Women and the Informal Economy

According to the international advocacy group WIEGO (Women in Informal Employment, Globalizing and Organizing), in developing countries more women are employed in the informal economy than the formal economy. It accounts for the lion's share of employment for women but less so for men. Within the informal economy, men's share of informal wage employment is higher than women's share, except in countries with large low-wage export sectors, such as Vietnam, Sri Lanka and the Philippines. Many women in the informal economy are part of global value chains who work from their homes – home-based workers. And many of the home-based workers are home workers (Lota, 2011). In Thailand, an estimated 38 percent of clothing industry workers are home workers; in Chile, an estimated 60 percent of all women's and children's clothing is produced by home workers; and in the Australian garment industry, at one time there were an estimated 15 home workers for every factory worker(ibid).

2.3.2 Some facts about women in the informal sector

Women are over-represented in the informal sector worldwide. This basic fact has several dimensions. Firstly, the informal sector is the primary source of employment for women in most developing countries. Existing data suggest that the majority of economically active women in developing countries are engaged in the informal sector (Martha, undated).

In some countries in sub-Saharan Africa, virtually all of the female non-agricultural labor force is in the informal sector: for example, the informal sector accounts for over 95 percent of women workers outside agriculture in Benin, Chad, and Mali. In India and in Indonesia, the informal sector accounts for nine out of every ten women working outside agriculture. In ten Latin American and four East Asian countries, for which data are available, half or more the female non-agricultural workforce is in the informal sector. Secondly, the informal sector is a larger

source of employment for women than for men (UN, 2000). The proportion of women workers in the informal sector exceeds that of men in most countries. Thirdly, women's share of the total informal workforce outside of agriculture is higher than men's share in 9 out of 21 developing countries for which data are available (UN, 2000).

ILO's statistical update shows that in over half of the 44 countries where the ILO was able to obtain data disaggregated by sex, women outnumbered men as a percentage of informal workers in industries other than agriculture (http://www.ilo.org/global/statistics-and-databases/WCMS_157467/lang--en/index.htm, 2011).

2.3.3 The overlap between woman, poverty and the informal sector

There is an overlap between working in the informal economy and being poor: a higher percentage of people working in the informal sector, as compared to the formal sector, are poor. This overlap is even greater for women than for men. Informal workers typically lack the social protection afforded to formal paid workers, such as worker benefits and health insurance, and typically work under irregular and casual contracts (Martha, undated).

Even though the average earnings of women in the informal sector are low, the female informal workforce contributes significantly to the GDP. For example, women informal traders contribute a significant share (20-65%) of GDP in the trading sector. For those countries where data is available, the contribution of women in the informal sector to total GDP is greater than their share of employment in the informal sector. This is because women are more likely than men to engage in multiple activities in the informal sector (ibid)

2.3.4 The Informal Economy, Poverty and Inequality

Does working in the informal economy make one poor? Alternatively, does the informal economy attract only the poor? Poverty is one of the most serious problems faced by developing countries and a number of economies in transition. Although considerable progress has been made by a number of countries towards the MDG of halving poverty by 2015, global estimates suggest that about 1.3 billion live in extreme poverty-less than \$1.25 per day (<https://www.dosomething.org/us/facts/11-facts-about-global-poverty>). And according to the most recent estimates, in 2013, 10.7 percent of the world's population lived on less than US\$1.90

a day(<http://www.worldbank.org/en/topic/poverty/overview>). And in 2014, 29.6 percent of the Ethiopian Population lived on below poverty line (CIA,2016).The vast majority of this population are the working poor, many of whom work in the informal economy (Ernest, undated).

The main contribution that the informal economy makes to poverty reduction is through the employment channel. The lack of employment opportunities in the public sector and in the private formal sector has forced many to seek jobs in the informal economy in order to earn a living. Although their earnings remain low and a large number of them are classified as poor, the informal economy allows them an alternative source of livelihood (Ernest, undated).

2.3.5 The Links between Informal Employment, Poverty and Gender

Some of the key assumptions regarding the linkages between informality, gender and poverty may be summarized as follows:

- i. The poor are more likely to work in the informal than in the formal economy.
- ii. More poor women than non-poor women work in the informal economy.
- iii. Average earnings are lower in the informal than in the formal economy.
- iv. Workers in the informal economy are more likely than workers in the formal economy to earn less than the minimum wage
- v. There is a gender gap in wages/earnings in the informal economy with women earning less on average than men (Martha et al., 2004).

2.4 The Informal Sector and Rural-Urban Migration

Migration

Migration is defined as population mobility from one place to another or it is simply a change or residence. It involves a complete change and adjustment to the new environment. Migration can take indifferent forms: Rural-urban migration, Urban-urban migration, Rural- rural migration and Urban- rural migration and the most dominant migration in Ethiopia is Rural- Urban Migration (Mohd and Pushpendra,2014).

People migrate from place to place because of two general factors: Pull factors and Push factors.

Pull factors include: employment opportunity in urban centers, better facilities such as education, health care, recreational centers (Mohd and Pushpendra, 2014)

Push factors include: natural and man-made phenomena that force people to be displaced from their origin. Draught, famine, starvation, population pressure, political instability, natural calamity such as earth quake, volcanic eruption are all different types of push factors.. Population pressure includes extended family. Population pressure leads to land shortage, land degradation which force people to migrate (ibid).

The informal sectors had higher proportion of migrant's labor. literature on rural-urban migration show that migrants primarily trace work in the informal sector in cities as they do not possess adequate skills that are required to get jobs in organized sector. This leads to the development of dual labor market in the urban areas. On one hand there are the scantily paid workers, not availing any form of social security in the informal sector, and in contrast there are the highly skilled and better paid formal sector workers. Although the migrants earn more in the urban areas than in the rural areas, since they are underpaid in the informal sector in the city it thrusts on them a low standard of living and quality of life in the metropolis (ibid).

2.5. Dominant Schools of Thought in the Informal Economy/Sector

2.5.1 Debates about the informal sector

Although both Hart and the Kenya mission team were very positive of the informal sector noting its efficiency, creativity and resilience the concept received a mixed review in development circles. Many observers subscribed to the notion that the informal sector was marginal or peripheral and not linked to the formal sector or to modern capitalist development. Some of them continued to believe that the informal sector in Ghana, Kenya and other developing countries would disappear once these countries achieved sufficient levels of economic growth or modern industrial development. Other observers argued that industrial development might take a different pattern in developing countries – including the expansion of informal economic

activities – from the way in which it had in developed countries. *Over the years, these debates crystallized into four dominant schools of thought regarding what gives rise to the informal sector, its defining characteristics and its links to the formal sector or the formal regulatory environment: the Dualist, Structuralist, Legalist and Voluntarist schools of thought.* While the dualist school is now considered rather outdated, both the structuralist and legalist perspectives are still evoked to explain different components of the informal economy (Martha et al., 2004).

Moreover, the debate on the informal economy continued in another dimension considering the causes, composition and what should be done on the informal economy and crystallized into four dominant schools.

2.5.1.1 The Dualist School: sees the informal sector of the economy as comprising marginal activities-distinct from and not related to the formal sector—that provide income for the poor and a safety net in times of crisis and it's an autonomous activities with few (if any) links with the rest of the economy. In addition informal operators are excluded from modern economic opportunities due to a mismatch between people's skills and the structure of modern economic opportunities due to imbalances between the growth rates of the population and of modern industrial employment, and a mismatch between people's skills and the structure of modern economic opportunities (Kaizh,1973) (Sethuraman,1976) and (Tokman,1978).

Based on the dualist view the informal sector has the following characteristics. These are, ease of entry, reliance on indigenous resources, family ownership of enterprises, small scale of operations, labor-intensive and adapted technology, skills acquired outside the formal school system, unregulated and competitive markets (ILO,1972).

Finally the dualists propose that governments should create more formal jobs and provide financial and business development services to informal enterprises (Kaizh,1973) (Sethuraman, 1976)and (Tokman,1978).

2.5.1.2 The Structuralist school: sees the informal economy as subordinated economic units (micro-enterprises) and workers in the informal economy serve to reduce input and labor costs and, thereby, increase the competitiveness of large capitalist firms. This school of thought argue that the nature of capitalism/capitalist growth drives informality: specifically, the attempts by

formal firms to reduce labor costs and increase competitiveness and the reaction of formal firms to the power of organized labor, state regulation of the economy (notably, taxes and social legislation); to global competition; and to the process of industrialization (notably, off-shore industries, subcontracting chains, and flexible specialization) (Moser,1978),(Castells and Portes, 1989).

Finally, the structuralist school of thought argues that governments should regulate both commercial and employment relations to address the unequal relationship between “big business” and subordinated producers and workers (ibid).

2.5.1.3 The Legalist school: sees the informal sector as comprised of “plucky”(brave and courageous) micro-entrepreneurs who choose to operate informally in order to avoid the costs, time and effort of formal registration and who need property rights to convert their assets into legally recognized assets (De Soto, 1989, 2000).

The legalist schools of thought argue that a hostile legal system leads the self-employed to operate informally with their own informal extra-legal norms (ibid). The legalist argue that the governments should introduce simplified bureaucratic procedures to encourage informal enterprises to register and extend legal property rights for the assets held by informal operators in order to unleash their productive potential and convert their assets into real capital(ibid).

2.5.1.4 The Voluntarist school also focuses on informal entrepreneurs who deliberately seek to avoid regulations and taxation but, unlike the legalist school, does not blame the cumbersome registration procedures. The voluntarists argue that Government should bring informal enterprises under the formal regulatory environment in order to increase the tax base and reduce unfair competition by informal enterprises (ibid).

In addition to the above schools of thought, another two opposing schools of thought exist concerning the role of the informal sector in development, with the negative linkages dominating the theory.

2.5.1.5 The First school of thought:-Some studies have argued that informality impedes development/ investment and growth. This is because businesses that operate outside the tax and regulatory net have a hard time accessing credit, limiting the scale of their operations and

exploitation of investment opportunities. Moreover, the informal economic activity undermines the ability of governments to raise revenue and therefore denies the public sector resources that would otherwise play a complementary role to private investment through infrastructural development or facilitation of business environment (Loayza, 1996). These linkages imply that the informal sector negatively affects the development process.

In addition, the informal sector facilitates undemocratic decision making and misguided policies since the informal sector does not have property rights hence the participants are not empowered to influence policy making. Moreover, the existence of the informal sector not only threatens the collapse of the formal sector as the formal sector mimics the informal sector so as to avoid taxes but also it erodes competitiveness since the remaining formal sector shoulders the tax burden as the informal sector evades taxes (Kutchka, 2000).

2.5.1.6 The second school of thought: - this study views informal employment as a lifeline for the poor or as a legitimate response to over-burdensome regulation, implying positive relationships between the informal sector and development. In this case, the informal sector provides the economy with a dynamic and entrepreneurial spirit, which in turn can lead to more competition, innovation, higher efficiency and increased investment (Schneider and Klingmair, 2004).

The existence of the informal market makes it possible for agents to engage in entrepreneurship or to obtain scarce goods and services that otherwise would not exist and the formal private market mechanism alone cannot be relied upon to solve the poverty and unemployment problems. Thus, continued embracing of the formal market mechanism without refocusing on informal sector strategies will render the poverty reduction programmes elusive in these economies (Barro, 2000). In addition to this the informal sector helps to absorb labor of new arrivals in the urban areas. Without the existence of the informal sector, it is likely that a ‘social economic crisis’ can emerge hence destabilizing the whole society in general. As opposed to the formal sector, the informal sector capably creates a large number of jobs at a very low capital cost because it does not incur extra costs such as employment benefits (Madziakapita, 2003).

Since informal market activities are a direct result of some kind of government intervention in the market place, this result can be interpreted in various ways. For example, the result can be interpreted to suggest that a larger informal market gives a greater chance to entrepreneurs to

conduct their business without being taxed and regulated by government officials. They would also be interpreted to imply that market forces are not fully operational in these economies or that informal sector has a role to play in development as opposed to standard thinking that the informal sector drags development (Madziakapita, 2003).

2.6 Main features of the informal sector

The key feature of the informal economy is: (a) its significance and permanence; (b) the continuum of employment relations within it; and (c) its segmented structure.

2.6.1 Significance and permanence: The recent re-convergence of interest in the informal economy stems from the recognition that the informal economy is growing and is not a short-term but a permanent phenomenon. Also, it is not just a traditional or residual phenomenon but a feature of modern capitalist development, associated with both growth and global integration. For this reason, the informal economy needs to be seen not as a marginal or peripheral sector but as a basic component – the base, if you will – of the total economy (Martha et al., 2004).

2.6.2 Continuum of economic relations: Earlier, observers who subscribed to the dualist theory considered the informal and formal sectors to be two distinct economic sectors without direct links to one another. The reality is, as always, far more complex. To begin with, production, distribution and employment relations tend to fall at some point on a continuum between pure ‘formal’ relations (i.e. regulated and protected) at one pole and pure ‘informal’ relations (i.e. unregulated and unprotected) at the other, with many categories in between (ibid).

Moreover, the formal and the informal ends of the economic continuum are often dynamically linked. For instance, many informal enterprises have production or distribution relations with formal enterprises, supplying inputs, finished goods or services either through direct transactions or sub-contracting arrangements. Also, many formal enterprises hire wage workers under informal employment relations. For example, many part-time workers, temporary workers and home-workers work for formal enterprises through contracting or sub-contracting arrangements (ibid).

2.6.3 Segmentation: The informal economy consists of a wide range of informal enterprises and informal jobs. Despite its heterogeneity, there are meaningful ways to classify its component

segments, including: by type of economic unit and by employment status. Informal enterprises consist of micro-enterprises (with an employer plus some employees), family businesses (with an owner operator and, some-times, unpaid family workers), and own account operations (with an individual owner operator). Informal employment relations consist of employees of informal enterprises as well as domestic workers without a regular contract, casual day laborers without a fixed employer, temporary workers who get work through an agency, part-time workers for a fixed employer, industrial out workers for formal or informal firms (and their intermediaries),and unregistered or undeclared workers(Martha et al., 2004).

2.7 Linkages between the formal and the informal sector

2.7.1 Direct linkage: The relationship between the formal and informal economy is symbiotic. The formal and informal ends of the economic continuum are often dynamically linked. The informal sector has both backward and forward linkages with the formal sector. The backward linkages involve the flow of raw materials, finance, and goods from the formal to the informal sector. The forward linkages involve the use of informal sector products and services as inputs into the formal sector's production process. It is questionable whether the relation between the formal and informal economy is benign or exploitative (ibid).

2.7.2 Indirect linkage: The indirect linkages refer to those generated by the goods and services produced in the informal sector for a clientele whose income is dependent upon the formal sector. The growth in the formal sector's productivity and wages will create additional demand for these activities. However, here, a paradoxical relationship resulting from a demonstration effect of formal sector goods is likely to arise between the informal sector production and formal sector wages. This growth would worsen the income distribution and induce a shift in the pattern of demand away from the informal sector's products. Therefore, the informal sector is not an independent and exclusive circuit in any way. It is linked to the formal sector and the rest of the economy through a variety of linkages. The possibility of growth of the informal sector then depends on the nature and types of linkages that are operating in reality(ibid). In Ethiopia, direct linkages which is backward linkage dominate because most of the informal sector operators buy their products from the formal sector.

2.8 Review of Empirical Evidences

2.8.1 Global Workforce and the Informal Sector

Informal employment is rising rapidly in all regions of the world and in many developing countries it has long been a way of life. The International Labor Organization (ILO) estimates that the number of persons employed in the informal sector exceeds those in informal employment outside the informal sector, suggesting that the bulk of informal employment is concentrated in employment in the informal sector among 44 countries with sex disaggregated statistics on employment (ILO, 2011).

Taking agriculture into account, informal employment accounted for nearly half of the working population in the Philippines, more than 70 per cent in Indonesia and more than 90 per cent in India. The old economic picture of place of work was the shop, the office or the factory. The new reality of workplace is often the street, the sidewalk or the home (ibid).

Since the late 1960s and 1970s, large sections of the population in developing countries have suffered from poverty and are engaged in the informal economy. Economic growth seems to be unable to reduce the size of the informal economy fast enough. This has been mainly attributed to increases in population growth and urban migration; hence the active labor force grows at a much faster rate than the availability of jobs in the organized or formal sector. Many countries in the developing world are experiencing distinctive “youth bulges”, which occur when young people comprise at least 4 percent of the population. There has been increasing concern among policy makers that the frustrations accompanying long-term unemployment among large populations of young men in urban areas may feed political and ideological unrest and provoke violence (Ernest, undated).

2.8.2 Size of the informal economy in developing countries

Informal employment comprises one half to three quarters of non-agricultural employment in developing countries: specifically, 48 per cent in North Africa; 51 per cent in Latin America; 65 per cent in Asia; and 72 per cent in sub-Saharan Africa. If South Africa is excluded, the share of informal employment in non-agricultural employment rises to 78 per cent in sub-Saharan Africa; and if comparable data were available for other countries in South Asia in addition to India, the

regional average for Asia would likely be much higher. Some countries include informal employment in agriculture in their estimates. This significantly increases the proportion of informal employment: from 83 per cent of non-agricultural employment to 93 per cent of total employment in India; from 55 to 62 per cent in Mexico; and from 28 to 34 per cent in South Africa (Martha et al.,2004).

Informal employment is generally a larger source of employment for women than for men in the developing world. Other than in North Africa, where 43 per cent of women workers are in informal employment, 60 per cent or more of women workers in the developing world are in informal employment (out-side agriculture). In sub-Saharan Africa, 84 per cent of women non-agricultural workers are informally employed compared to 63 per cent of men; and in Latin America the figures are 58 per cent of women in comparison to 48 per cent of men. In Asia, the proportion is 65 per cent for both women and men (ibid).

In their assessment of the main conclusions of studies of informality in Africa (Mbaye and Benjamin, 2014) note especially: the dominant share of the informal sector in African economies to a degree that is greater than anywhere else. In sub-Saharan Africa, the informal sector comprises 50 -70 percent of total output and 60 to 90 percent of non-farm employment. Thus study of the informal sector in Africa takes on particular significance. The main positive contribution of the small informal sector is that it provides employment and incomes and thereby alleviates poverty. But the incomes in the informal sector are generally low and low productivity of the small informal sector suggests limited scope for improvement (ibid).

In the poorer LDCs where informal economic activity and employment constitute the majority, there seems to be an easy fit for the moniker “informal is normal.” However, in middle income countries where education levels are high and the formal private and public sectors dominate, businesses and workers end up in the informal sector for particular reasons, and they have a particular impact on productivity, growth and development (ibid).

2.8.3 Size of the informal economy in developed countries

In developed countries, the terms ‘informal sector’ and ‘informal economy’ are not used in the collection and classification of labor statistics. The most common term is ‘non-standard work’,

which refers to all work that is not regular, stable and protected. In the late 1990s, three categories of non-standard or atypical work – self-employment, part-time work and temporary work – comprised 30 per cent of overall employment in 15 European countries and 25 per cent of total employment in the United States. Although not all self-employed, part-time workers and temporary workers are in-formally employed, the majority receive few (if any) employment-based benefits or protection. In the United States, for instance, less than 20 per cent of regular part-time workers have employer-sponsored health insurance or pensions (Martha et al., 2004).

Self-employment comprised 12 percent of total non-agricultural employment in developed countries. Part-time work represented about 14 per cent of total employment of the Organization for Economic Co-operation and Development (OECD) countries as a whole and more than 20 per cent of total employment in eight of these countries. In the countries of the European Union (EU), temporary work comprised 11 percent of total employment (ibid).

Although women's labor force participation rates are lower than men's, women comprise a significant share of non-standard employment. Women represented 60 per cent or more of part-time workers in all OECD countries reporting data. Their share of part-time work for specific countries was as high as 98 per cent in Sweden, 80 per cent in the United Kingdom and 68 per cent in both Japan and the United States. In many countries of the EU the majority of workers in temporary employment are women. In nine of the (then) 15 EU countries, women accounted for about half or more of temporary employment. And in OECD countries, women comprised one-third of self-employed workers in 1997 and this share of women appears to be growing (Martha et al., 2004).

The informal economy makes up a significant proportion of non-agricultural Gross Value Added (GVA). For example, 8-20% in transitional economies, 16-34% in Latin America, 17-34 % in Middle East and North African region, 46% in India, and 46 -62% in West Africa(ILO,2013).

In low income countries, informal employment makes up 70 -95% of total employment (including agriculture) and is found mainly in the informal sector. It is characterized by a high prevalence of own -account workers, for example, 81% in Sub-Saharan Africa (ibid).

In middle -income countries, informal employment makes up 30 -60% of total employment. For example, its share outside the informal sector is 10-35% in urban Latin America and Asia. Own-account workers represent 50 -70% of the total informal employment (ILO, 2013).

Urbanization in developing countries is accompanied by growth in urban informal economies (Elgin and Oyvat, 2013). Rural -urban migration is a particular issue in secondary towns, which will be the largest centers of urban population growth over the next 20 years (Desa, 2014). Among the push and pull factors that drive rural -urban migration are the prospects for better paying jobs. However, limited availability of such jobs means the informal economy is the main option for work (Elgin and Oyvat, 2013). For example, in Hanoi, Vietnam over 50% of the urban labor force is informal. In West African cities, the share is even higher – 76% in Niamey, Niger and 83% in Lomé, Togo (ibid).

Women often form a greater share of the non-agricultural informal economy work force than men. For example, in South Asia the ratio is 83% of women to 82% of men; in Sub – Saharan Africa, 74% of women to 61% of men; in Latin America and the Caribbean, it is 54% of women to 48% of men; and in urban China it is 36 to 30%. In Abidjan, Cote d’Ivoire, nine out of every ten women in the labor force have an informal job, compared to seven out of ten for men (ibid).

Young people are over represented in the informal economy. Based on averages across ten countries, as many as eight out of ten young workers are employed informally, In many urban areas, the majority of new jobs available to young people are in the informal economy (ILO,2013).

2.9 Positive and Negative Views of the Informal Economy

2.9.1 Positive View of the Informal Economy

Some emerging theories about the informal economy view the informal economy as a positive alternative to the formal economy. In these approaches, the informal economy is seen as “a site of resistance to the formal economy that is growing” (Williams, 2012). These approaches view participation in the informal economy as a choice rather than a necessity.

Williams identifies three sub perspectives within this approach, which, while they all see the formal economy as a positive economy that is engaged in by choice, are in tension with one another. The three perspectives are: **the neo-liberal perspective, green perspectives, and post-capitalist theories.**

In the neo-liberal perspective, the government's over regulation of the market is the cause of the informal economy. Responding to the lack of free market space, participants in the informal economy carve out this space on their own, by choice. Neoliberal theorists argue that decreasing government regulation would reduce the size of the informal economy. A related theory to this approach suggests that the regulations are too complex and difficult to understand, thus creating unnecessary roadblocks to participation in the formal economy (Williams, 2012).

Green perspectives and post-capitalist theories both suggest that the informal economy is growing today because of the choices of many who are dissatisfied with the modern, capitalist free market. According to these theories, people are rightly seeking alternatives to the formal economy that are more local, sustainable and environmentally sound. People are seeking community-based economies as positive alternatives to the formal economy (ibid).

For many, the informal economy can be seen as a source of social cohesion, with persons entering into informal contracts and agreements directly outside of the formality of rules and regulations. In many cases, this can result in more flexible working arrangements that recognize the humans are more than the sum of their economic contributions. For example, the informal economy makes it possible for some people to fulfill their family obligations while doing informal, paid work such as childcare. In addition, the economy allows persons to provide and buy goods at lower prices. In conclusion, the informal economy can be viewed as an intentional response by low-income persons to a formal economy in which they cannot take part (ibid).

While various approaches cast a binary between formal and informal economies, a read of the spectrum of literature shows that it is a simplification to declare one economy bad and the other good. Increasingly, scholars suggest that the informal economy is here to stay, and is neither wholly negative nor fully positive. Many suggest that it is a necessary complement to today's formal economy; it is structurally caused to exist because of the nature of our formal economy

and income distribution. Some go so far to suggest that it is a positive alternative to the formal economy (Natasja, 2014).

2.9.2 Negative View of the Informal Economy

A formerly popular, now debunked theory referred to by Colin Williams as the “formalization thesis” or “modernization thesis” held that the informal economy was a remnant of the past. This theory asserted that with modernization there would be increased formalization and the eventual disappearance of the informal economy. This approach saw the informal economy as a “residue” (Williams, 2008). In this theory, the informal economy is associated with “under-development”, “traditionalism”, and “backwardness” (Williams, 2012).

Meanwhile, the formal economy is equated with “progress”, “development”, “modernity” and “advancement” (ibid). The formalization thesis endows the formal economy with positive attributes while claiming the informal economy is a negative remnant that ought to disappear with time and development. This theory has been criticized as being Eurocentric, as it often associates the informal economy with developing economies in the two-thirds world.

Additionally, the perseverance of the informal economy in so-called developed economies such as those in Europe and North America has challenged the underlying assumption of the theory. If the informal economy is alive and well, and not disappearing any time soon, in North America and Europe, then the formalization/modernization thesis must be challenged or nuanced. In recent years, there has been an “emergence of various theories which transcend the depiction of informal work as a remnant or residue of the past” (Williams, 2012). Another common view of the informal economy sees it as a necessary by-product of the formal economy. Often referred to as the “marginalization thesis,” this approach views “regulatory evasion as a condition of survival for small firms in essentially unprofitable cracks and crannies of the economy, where they would otherwise be eliminated by market forces” (Jones et al., 2004). According to Williams, the informal economy results from “employers adopting informal work arrangements to reduce costs, such as devolving stages of production to those employing off-the-books workers under degrading, low-paid and exploitative “sweatshop-like” conditions, exemplified in the garment manufacturing sector” (Martha, 2012).

Marxist structural analysis is the reverse of the modernization approach. Whereas the modernization approach believes that the informal economy will eventually disappear in the modern economy, the Marxist approach holds that it will not disappear as long as the capitalist structure requires it. Informality is alive, well and growing in the post-industrial West“ (Waldinger and Lapp, 1993).

Both the marginalization and Marxist structural analysis thesis depicts engagement in the informal economy as a necessity rather than a choice. In the ideal worlds of these theses, the informal economy would not exist.

2.10 The Concept of Development and the Role of the Informal Sector

Development means ~~im~~provement in country’s economic and social conditions”. More specially, it refers to improvements in the way of managing an area’s natural and human resources in order to create wealth and improve people’s lives (<http://www.sociologydiscussion.com/society/development-meaning-and-concept-of-development/688>).

The term ~~development~~” in international parlance encompasses the need and the means by which to provide better lives for people in poor countries. It includes not only economic growth, although that is crucial, but also human development—providing for health, nutrition, education, and a clean environment <http://www.globalization101.org/introduction-what-is-development-2/>.

According to Micheal P. Todaro:

“Development must be conceived (considered) for as a multi-dimensional process involving major change in social structures, popular attitudes and national institutions as well as the acceleration of eco-growth, the eradication (end) of poverty and reduction of inequality of wealth.”

2.10.1The Three Objectives of Development

1. "To increase the availability and widen the distribution of basic life-sustaining goods such as food, shelter, health, and protection."
2. "To raise levels of living, including, in addition to higher incomes, the provision of more jobs, better education, and greater attention to cultural and human values, all of which will serve not

only to enhance material well-being but also to generate greater individual and national self-esteem."

3. "To expand the range of economic and social choices available to individual and nations by freeing them from servitude and dependence not only in relation to other people and nation-states but also to the forces of ignorance and human misery." <http://www.phileconomist.com/2013/03/the-three-objectives-of-development.ht>

2.10.2 Economic Development

It is the process in which simple, low-income national economies are transformed into modern industrial economies. The term Economic Development is sometimes used as a synonym for economic growth; generally it is employed to describe a change in a country's economy involving qualitative as well as quantitative improvements (Ahsan,2011).

In addition –It refers to the process whereby the total supply of goods and services of the society increases leading towards improved living standard.”

2.10.2.1 Major Objectives of Economic Development

1. To Reduce Poverty

The most of the developing countries including Ethiopia are facing the problem of general as well as absolute poverty. Poverty is not only itself bad but it produces a lot of economic and social crimes. Reduction in poverty is one of the main goals of economic development (Ahsan, 2011). According to (CIA, 2016) in Ethiopia 29.6% population was living below poverty line.

2. To Increase the Per Capita Income

Per capita income of developing countries is very low. Economic development leads to increase in per capita income of poor countries. Increase in PCI leads to more saving and more investment. High per capita income is a symbol of progress and prosperity (Ahsan, 2011). The Gross Domestic Product per capita in Ethiopia was last recorded at 1529.89 US dollars in 2015, when adjusted by purchasing power parity (PPP) <http://www.tradingeconomics.com/ethiopia/gdp-per-capita-ppp>.

3. To Reduce Unemployment

One more objective of economic development is to reduce the unemployment. Unemployed population is a burden on our economy. Economic development creates new employment opportunities. Rapidly raising population creates a problem of unemployment that can be solved through economic development (Ahsan, 2011). Unemployment Rate in Ethiopia decreased to 16.80 percent in 2015 from 17.40 percent in 2014 <http://www.tradingeconomics.com/ethiopia/unemployment-rate>.

4. To Remove the Vicious Circle of Poverty

Vicious circle of poverty is the biggest reason of backwardness of developing countries. Economic developments will lead to remove the vicious circle of poverty. Due to vicious circle of poverty national income, national savings and national investments all are very low (Ahsan, 2011).

5. To Improve the Living Standard

Population is rapidly increasing in developing countries. On the other hand already existing population has non-availability of basic needs. Economic development also contains the objective to improve the living standard of population (ibid).

Today, economic development is compulsory for every nation. Without economic development social welfare, progress & prosperity, high living standard and reduction in poverty & unemployment are impossible.

2.11 The Linkages between the Informal Sector and Economic Development

The contribution of the informal sector to economic development is enormous. The main importance of the informal sector is that it is the source of innovation, creativity, Capital saving and growing production (Younus,1977). The informal sector represents an important part of the economy and certainly of the labor market in many countries,- especially in developing countries, and thus plays a major role in employment creation, production and income generation. In countries with high rates of population growth and/or urbanization, the informal sector tends to absorb most of the growing labor force in the urban areas (Hussmanns et al.,1990).

The informal sector is capable of absorbing large proportion of the new entrants into the labor force that the formal sector is unable to cope with the increasing numbers of the poor, unskilled, and illiterate. The majority of survival needs drivers such majority to create employment or self-employment and generate income in the informal sector. The sector provides employment more over necessary goods and services for the lower income groups (ILO, 1972).

The informal economy comprises half to three-quarters of all non-agricultural employment in developing countries and 26.5 % of the total employment in Ethiopia (<http://www.ilo.org/global/topics/employment-promotion/informal-economy/lang--en/index.htm> and CSA,2016).

It operates as a means to access paid work where this might be difficult in the formal sphere, a situation that affects diverse groups such as people with poor educational or vocational qualifications, those who have been out of work for a period of time. Informal sector can have a positive role in peoples' lives, keeping them from poverty, and the development of confidence and skills, and building social capital. The sector plays important role of income distribution, make active competition, exploit market functions, improve productivity and technical change and finally creates **economic development**(<http://www.ilo.org/global/topics/employment-promotion/informal-economy/lang--en/index.htm>).

The positive results of the informal economy are that:- it increases income and Increases self-confidence, Improves skills, Expand work experience, Develops the habit of work, Leads to minimize cost of product, sustain economic activity, provides employment, Offers flexible working hours and conditions, Has reduced barriers to entry, promotes entrepreneurial spirit, Supports the formal economy(<http://www.wikipreneurship.eu/index.php5?title=Informal economy>).

The other study shows that the informal sector makes a big contribution to sub-Saharan African economies that increased economic growth and employment opportunities. The sector contributes nearly 55% of the sub continent's GDP and a staggering 77% of non agricultural employment 90 % rural and urban workers have informal job in Africa and most of them are women and youth(<http://www.afdb.org/en/blogs/afdb-championing-inclusive-growth-across-africa/post/recognizing-africas-informal-sector-11645/,2013>).

Moreover, the importance of the informal sector is providing income and employment to many unemployed people who cannot get employment in the formal sector. The urban informal sector plays greater role in the economies of developing countries. In developing countries, an half to three quarter of the non-agricultural labor force is in the informal sector and street vending share a significant portion of that work force (Martha and Marilyn , 2001).

A study by (Herchbach,2009) and (Lanjouw,2008) show the relationship among the operators in the informal sector and the relationship between the informal sector operators and the formal sector operators have contributed to the growth of the informal sector and its contribution to economic development and poverty reduction. For instance, the linkages among the informal sector operators has helped improved the quality of goods and services produced by the operators thus making them compete favorably with what obtained in the formal sector.

Their relationship with the formal sector has made them powerful distributors for the goods and services produced by the formal sector enterprises. And the formal sector enterprises are also known to provide inputs and services to the informal sector enterprises through sub-contracting (Abumere,1995).

Generally the informal economy can provide key elements in the struggle toward sustainability. By encouraging a local economy, the informal sector can help keep markets small and flexible which can then rapidly adjust to changing demands and reflect the true costs of goods. By requiring communication or haggling for purchases, the informal sector can provide needed social capital, social interaction and increase pedestrian space. The informal sector can also help shift the focus from a globalized capitalist society to eco- localism, and provide an alternative path of development that is needed for a sustainable future (Abumere, 1995).

2.12 The Informal Sector in the Ethiopian Context

2.12.1 Emergence and Expansion

Growth of population and labor force due to rural-urban migration has inflated the urban workforce. Accordingly, lack of capacity on the part of the formal sector to absorb the growth in population forced the unemployed to seek refuge in the informal sector in order to create own employment (Street Business Operators Task Force/Addis Ababa, 2000). This resulted in concentration of labor force in micro-income generating activities urban areas as a natural desire for survival on the part of destitute men, women and the youth (Ibid.). Studies have shown that in many poor countries, like Ethiopia, heavy burden of taxes, corruption and bureaucratic intricacy have driven formal actors into the informal sector (Azuma & Grossman, 2002). The structural adjustment programs, the various austerity measures and the proliferation of economic activities outside of the formal structure have made the economically active labor force to align itself with the informal sector (Haeri, undated).

Another factor that helped in the expansion of the informal economy is the reaction against government's regulation of the economy. The taxation systems, social legislation, health and environmental controls that are imposed on the activities of the business community and the economic hardship during periods of economic recession forced business people to go informal to operate outside of the regulatory framework (Portes et al., 1989).

The diminishing supply of rural lands and population explosion and resource scarcity, could not enable rural people to sustain life in their localities. The widening gap between the resource-loaded urban centers and the poverty-ridden rural areas facilitated migration as an option for survival (Addis Ababa City Administration, 2002). For example, the 2.9% increase in the population of Addis Ababa is found to be a result of rural-urban migration which has escalated the rate of unemployment in the city.

In addition, Economic recession, adjustment policies and continued high rates of urbanization and population growth have led to an unexpected and unprecedented expansion of the informal sector in many developing countries, including in Ethiopia. As modern sector enterprises, and especially the public sector, have been obliged to dismiss workers or reduce wages drastically. In

some countries it is in fact only the informal sector, which absorbs the labor force and keeps the economy going, while large modern enterprises downsize (CSA, 2003).

Although the informal sector exists as a natural ally of the formal sector, it has remained neglected and has not been integrated as useful partner in the development process. Such a situation has created a hostile environment resulting in uncertainties to undertake risk-ridden business activities which threatened the income earning and productive potentials of the sector.

Despite the economic crisis and the problems of the structural adjustment programs that have adversely affected the economic development of poor countries, the informal sector has survived and supported a significant proportion of the impoverished population through employment creation to provide the means for their livelihood. In the Ethiopian situation, like other developing countries, the informal sector has come about as a result of the socio-economic crisis created by local and external forces and as a response to the search for a means of earning a modest living (UNECA,1993). Its expansion and development is, thus, determined by the worsening socio-economic crisis and the creation of enabling environments to accommodate the needs and requirements of the sector.

In Ethiopia, the informal sector has currently become a priority issue of concern by the government, in particular the Addis Ababa City Administration where the majority of informal actors in the country exist. Accordingly, all efforts are being exerted to assist informal sector operators to get organized in preparation for a relatively formal business undertaking which will facilitate enhanced performance and better partnership with the formal sector. Therefore, the tendency of the government to focus on policies and development strategies concerning informal sector development seems to be a positive step towards accepting the sector as a useful partner of development (Asmamaw, undated).

2.12.2 Importance and Contribution of the Informal Sector in Ethiopia

The informal sector is an important socio-economic phenomenon which can contribute to economic development in Ethiopia. Its role is multidimensional and serves as an important breeding ground for entrepreneurs with opportunities for self-employment. As a flexible and decentralized model of economic organization, the sector can create network of economic

activities through sub-contracting, facilitating linkage between different socio-economic processes. The sector is widely regarded as a foundation for economic growth of developing countries (Gibbon, 1995). The informal sector plays a supplementary and subordinate role to activities of the formal sector and helps realize the creative potential of economically active population (Portes et al., 1989). Thus, the informal sector makes invaluable contribution to economic and social life through provision of employment, generation of income, development of skills and other social services to those neglected and marginalized groups (Addis Ababa City Administration,2002).

Through the development of entrepreneurship, the informal sector facilitates mobilization of untapped resources and the use of labor which helps minimize problems of unemployment and poverty. Because of flexibility and diversification of activities, the informal sector creates a better environment for its actors to be more responsive to opportunities for growth (Addis Ababa Chamber of Commerce,2001).

The informal sector is regarded as the natural home of entrepreneurship which provides ideal environment for building the foundation for economic growth and social progress (Addis Ababa City Administration, 2002). It helps to develop the business know how and skills of the operators in the pursuit of employment creation, generation of income and more equitable distribution of resources. The sector contributes towards the dynamism of the market environment and activates competition for market opportunities through enhanced productivity and technical change which are stimulants to economic development (Ibid). The informal sector is an important link in the production and distribution chain which is an essential part of development in Ethiopia.

2.12.3 Review of empirical studies in the informal sector in Ethiopia

As a working definition in this thesis, Ethiopia's Central Statistics Agency (CSA) definition is used to identify whether the enterprise is an informal sector enterprise or not.

Accordingly, the enterprise/business is 'informal' if it does not possess a license (Tax), and full written book of accounts that shows monthly income statement and balance sheet (CSA, 2011).

Some empirical studies on the informal sector were conducted in Ethiopia to look in to the different aspects of the sector.

A study by (Sebsib Hadis,2015) presents women and informal sector retrospective and socio-economic responses with particular emphasis to parallel trading in Dessie town Ethiopia. Primary Data were gathered from parallel traders through questionnaire and observation, and secondary data sources were accessed from Dessie town trade and transport office and CSA (Central Statistical Agency). His paper is purely mixed explanatory sequential approach which is based on the collection and analysis of quantitative data to be followed and supported by a qualitative data.

The findings of his study show that parallel trading is the first among alternatives for women's divorced or widowed and dependent hitherto to parallel trading. Again, women in parallel trading were engaged in retails of food items easily accessed in the local markets, in which more than two-third of households are dependent on the gains as well as become involved in the retails activity. Though, parallel trading economic responses were the bases for women's livelihood, its performance would not let women and their dependent family members /household to have better house and access to education. His finding of the study also demonstrate that the socio-economic response of parallel trader were constrained by government regulations that exclude and discourage the trading, lack of access to finance, lack of premises and lack of smooth supply of inputs. Finally he recommend it is important for both local governments and organizations working on women affairs to reconsider their actions and create environment and the necessary support to encourage women and promote parallel trading grow and integrate to formal economic sectors.

Another study by (Elias, 2015) focuses on the Challenges and Prospects of the Informal Sector in Alleviating Urban Poverty in Yeka Sub-City of Addis Ababa City Administration, Ethiopia. The

objectives of his study was exploring general context in which the informal sector operates, assessing the living and working conditions of informal sector operators, exploring the contribution of the informal sector to reducing poverty, identifying coping mechanism of poverty in the urban informal sector and forwarding recommendation. He used descriptive survey design and a purposive sample of two respondent groups, namely government officials and the informal sector participants themselves was drawn, and personal interviews conducted and questionnaires were filled.

The finding of his study show that there were mixed feelings among the people in each of the two respondent groups. Although many of the government officials were positive, mainly because the government's policy of free enterprise and promote the formalization of the informal sector publicly, they still believe there is a need to control the sector's operations. On the other side more than 83 percent of the informal sector participants are making a comfortable livelihood through their activities despite some difficulties. The lack of employment in the formal sector and the desire to survive were found to be the two pressing problems that enhance the growth of the informal sector in Yeka sub city. The participants could further expand their informal business activities if access to credit facilities and working space were made available.

A study by (Ebisa, 2012) discussed that woman in the informal sector: Evidence from Southwestern Ethiopia. The major objective of his study was to assess the status of women in the informal sector with particular emphasis in south western Ethiopia. Primary data sources were used. In the research he found that there is statistically significant difference ($P < 0.05$) between religion, education, ethnicity and type of informal sector activities. Women in the informal sector were more engaged in the small retail trade activities (46.0%). On the other hand, on street selling activities come second with 31.3% as an activity of women. Besides, production and sell of local drinks (22.7%) such as *_tji' _tda'*, *_areki'*, *_shameta'* and *_borde'* is the third important activity of women. Many women inhabit slum and squatter settlements with poor conditions of houses, electricity, and water and drainage systems. Informal sector is the only hope for a large number of women who are not able to find employment in the formal sector.

A study by Ethiopia (Etsubdink, 2013) discussed on cause and effect of the informal sector; the case of street vendors in Addis Ababa, Ethiopia. The main aim of his study has been to investigate the importance of informal sector in Ethiopia economy and identify constraints and risk in the operation, specifically to examine the reason why informal operators become in the informal sector. For to achieve this aim; he construct structure interview based on theories that the main research question associate with the four causal theory of informal sector that debates of different school of thoughts and indicator build on other related theories, and then interviewed 91 a sample of street vendors. Finally he used descriptive and logistic regression analyses method. The findings of his study shows that main factors determining the reason of informal operators to become in the informal sector are unable to fulfill criteria of formal sector and lack of job opportunity in the formal sector.

Finally a study by (Asmamaw,n.d) discussed Some Controversies on Informal Sector Operation in Ethiopia: Problems and Prospects for a Development Strategy. In his paper, a modest attempt has been made to articulate the role of informal sector in socio-economic development, provide a framework for understanding the nature of informal sector problems and recommend appropriate strategic measures to improve the sectors development. Accordingly, discussions in the paper identify some essential aspects of efforts to address informal sector problems and clearly indicate critical controversial issues involved.

Generally, the above studies on the role of the informal sector in terms of employment generation capacity, income generation ability and for poverty Alleviation have been conducted by various professionals and researchers in different countries for different purposes. Ever since the debate on the importance of the sector in socio-economic development and poverty alleviation has continued to date among government authorities, formal sector operators, the community. The contribution that such studies have made in efforts to create awareness and bring about change of attitude on the part of governments and other stakeholders has been significant. Thus, this study is a modest contribution to that end and would highlight some issues on the sector's role in employment creation, income generation, household support and poverty reduction for the poor women and marginalized section of the society.

2.13 Operational Definition of Terms

Informal Sector: The unorganized sector consists of all unincorporated private enterprises owned by individuals or households engaged in the sale and production of goods and services operated on a proprietary or partnership basis and with less than ten total workers.

Informal worker/employment: Unorganized workers consist of those working in the unorganized sector or households, excluding regular workers with social security benefits provided by employers and the workers in the formal sector without any employment and social security benefits provided by employers.

Informal economy: The informal sector and its workers plus the informal workers in the formal sector constitute the informal economy.

Formal Sector: sector which encompasses all jobs with normal hours and regular wages, and are recognized as income sources on which income taxes must be paid.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

3.1.1 Selection of the sub-cities

Addis Ababa has 10 sub cities namely Akaki Kaliti, Nefas Silk-Lafto, Kolfe Keraniyo, Gulele, Lideta, Kirkos, Arada, Addis Ketema, Yeka and Bole Sub City Administrations. Based on high population size and expected guess of higher number of low income groups residing in the 10 sub-cities, Kolfe Keraniyo and Yeka sub-cities are selected for the study.

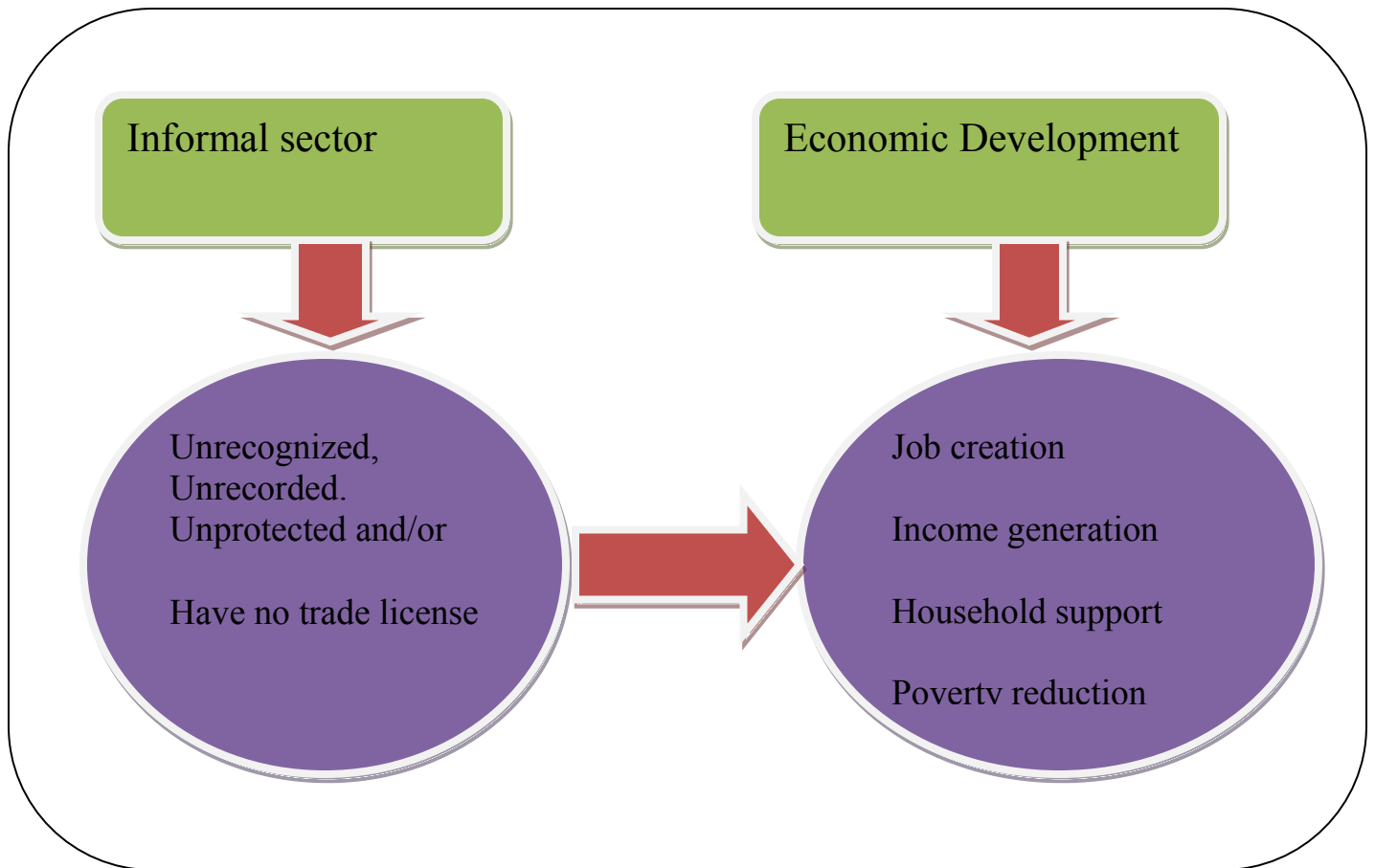
3.1.2 Demographic status

The total population of Kolfe Keraniyo and Yeka sub-cities according to the 2011 census was 546,219 and 337,575 respectively (https://en.wikipedia.org/wiki/Addis_Ababa). After the selection of these two sub-cities, 4 Weredas are selected by using Simple Random Sampling Method.

3.2 Conceptual Framework

The conceptual framework of the study indicates the contribution of the informal sector for women economic development in Kolfe Keraniyo and Yeka sub cities in Addis Ababa City Administration.

Figure1.1: Conceptual Framework of the Study



Source; Own Conceptualization (2016)

In this study, the term informal economy and informal sector are used interchangeably.

3.3 Research design and type

This study used survey method that involves sampling. Survey design is more appropriate to this study which incorporates questionnaire, field observation and interview in the study area. This study used both qualitative and quantitative approaches to capture the wider data for the purpose of deep analysis and understanding of the contribution of the informal sector for women economic development with special reference to women traders in two of the sub-cities in Addis Ababa.

3.4 Source of data and data collection instruments

3.4.1 Primary Data-Primary data source involves observation, personal interviews and filling questionnaires by different respondent group, which include respondents from relevant government officials and/or departments and respondents who involve directly in the informal sector; specifically women street vendors in Kolfe Keraniyo and Yeka sub-cities.

3.4.2 Secondary Data- Secondary source of data from journal articles, internet sources, and books, published and unpublished material concentrated mainly from literature review of the subject. The available literature used to gain an understanding of the informal sector and also to compile the theoretical chapters. In addition, literature on the informal sector and development theory used throughout the study to support the researcher_s viewpoints or to provide alternative viewpoints.

3.5 Data collection instrument

Two types of data gathering instruments/tools were designed for the purpose of primary source. The first is an open-ended interview developed for the respondent group of government officials. The second is a questionnaire developed and distributed to the respondent group for the informal sector operators. The questionnaires were mostly closed-ended questions and few open-ended questions which would help to probe more opinions from the respondents.

3.6 Sampling technique and sample size

This study used both Probability and Non-probability sampling method. Probability sampling method is used to select women informal sector operators and Non- probability sampling method were employed to select government and non-government officials(NGO).

3.6.1The informal sector participants

Multistage sampling method is employed to identify the informal sector participant women. In the first stage, sample of four Weredas are selected proportionally from the two sub-cities by using SRS. In the second stage, these selected Weredas are divided into trading areas (clusters) available. Then, sample of 13 trading areas (clusters) are proportionally selected using SRS.

And lastly, since the number of informal sector participant women in each trading areas is unknown, equal number of, which is total sample size divided by number of selected trading areas, $196/13 = 15$, informal sector participant women are selected from each trading areas using systematic sampling method.

The researcher has tried to know the number of informal sector participant women in a given cluster (trading area). Randomly exploring five clusters, it was found an average of 30 informal sector participants per cluster. So, systematic sampling can be employed as, $K = \frac{30}{15} = 2$ and choose a starting point as the first informal sector participant woman who sit at the north western gate of the trading area. Then, select every 3rd informal sector participant woman until it becomes 15.

The total sample size determined by using the unknown sample size determination formula (Sarantakos, 1998).

$$n = \frac{Z^2 p(1 - p)}{d^2} = \frac{1.96^2 (0.25)(0.75)}{0.07^2} = 196$$

Where, Z – Upper $\alpha/2$ percentile point of standard normal distribution with $\alpha=0.05$ being the level of significance

P – The probability of success (estimated proportion of women in the informal sector)

d – The desired margin of error

3.6.2 The government officials

The researcher used purposive sampling method which is one of non-probability sampling method. The officials were selected by using purposive sampling method are relevant experts of City Government of Addis Ababa Women and Children Affairs Bureau, Federal Urban Job Creation and Food Security Agency, Addis Ababa City Administration Micro and Small Enterprise Development Bureau, City Government of Addis Ababa Trade and Industry Development Bureau, NGO such as Care Ethiopia and Mother and Children Multi-Sectoral Development Organization. In addition, Focus Group Discussion (FGD) was held with officials of Kolfe Keraniyo and Yeka Sub-Cities Trade and Industry Development Bureau.

3.7 Data collection and analysis technique

The questionnaire data were collected from Kolfe Keraniyo and Yeka sub-cities of Addis Ababa City Administration and the interview data were collected from different concerned government officials and NGO. A pilot study was carried out prior to the beginning of the full study. The pilot test was conducted on the questionnaire items in order to refine the reliability of the questionnaire and to ensure that respondents have no problems in responding the questions items, on one hand, and to confirm that the question items have uniform response sets for respondents on the other hand.

The responses of the pilot study showed the overall ease of completion of the questionnaire and the response sets generated confirmed relative uniformity. Some of the question items that had comments were improved before distribution to sample respondents. After confirming the reliability of the items, the questionnaires were distributed to 196 women informal sector operators. Interviews were scheduled/conducted/ for/on 14 government officials and 2 NGO and focus group discussion with Kolfe Keraniyo and Yeka Sub Cities trade and industry development bureau.

The researcher interviewed all groups of the respondents on each of the questionnaire items and filled the responses on the questionnaire items. Alternative and convenient schedule were arranged with respondents that were busy based; on keeping their willingness. In this manner, the response rate is 100%.

Both primary and secondary sources of data are analyzed by using both qualitative and quantitative methods. Qualitative data obtained through interviews are analyzed through Qualitative analysis method. The data collected by questionnaire was entered into SPSS version 20 for windows for the statistical analysis. Descriptive statistics like frequencies, percentage and figure, pie-chart and bar-chart; and inferential statistics like one sample proportion (binomial) test and logistic regression are used to facilitate meaningful analysis and interpretation of research findings. For testing the hypothesis the researcher has used both qualitative and quantitative methods.

3.7.1 One sample proportion (binomial) test

The population proportion (π) is the number of elements in the entire population belonging to a certain category of interest divided by the total number of elements in the entire population. For instance, the proportion of respondents whose life is improved (number of respondents whose life is improved divided by the total number of respondents).

For a binomial distribution, we use the maximum likelihood estimator in statistical inference for the parameter π . The maximum likelihood estimator is the sample proportion, p . The sampling distribution of the sample proportion p has mean and standard error.

$$E(p) = \pi, \quad \sigma(p) = \sqrt{\pi(1 - \pi)/n}$$

As the number of trials n increases, the standard error of p decreases toward zero; that is, the sample proportion tends to be closer to the parameter value π . The sampling distribution of p is approximately normal for large n . This suggests large-sample inferential methods for π .

Consider the null hypothesis $H_0: \pi = \pi_0$ that the parameter equals some fixed value, π_0 . The test statistic is

$$z = \frac{p - \pi_0}{\sqrt{\pi_0(1 - \pi_0)/n}} \sim N(0, 1)$$

For large samples, the null sampling distribution of the z test statistic is the standard normal – the normal distribution having a mean of 0 and standard deviation of 1. The null hypothesis is rejected if the p -value is found to be less than the level of significance ($\alpha=0.05$) (Agresti, 2002).

For all tests in this study, the null hypothesis is $H_0: \pi = 0.5$ and the alternative hypothesis is $H_A: \pi \neq 0.5$, that is, for instance H_0 : the proportion of respondents whose life is improved is not significantly different from 50% (half) Vs H_A : the proportion of respondents whose life is improved is significantly different from 50% (half).

3.7.2 Binary Logistic regression

Logistic regression analysis extends the techniques of multiple regression analysis in which the outcome variable is categorical. Logistic regression allows one to predict a discrete outcome,

such as group membership, from a set of predictor variables that may be continuous, discrete, dichotomous, or a mix of any of these (Gelman and Hill, 2007).

Generally, when the dependent variable is dichotomous (such as presence or absence, success or failure and etc) binary logistic regression is used. The logistic regression is mathematically flexible and easily used distribution and it requires fewer assumptions (Hosmer and Lemeshow, 1989).

The two main uses of logistic regression are predicting the group membership, since logistic regression calculates the probability of success over the probability of failure, and providing knowledge of the relationships and strengths among the variables.

3.7.2.1 Model Description

Logistic regression model is used to investigate the effect of predictors on the probability of improvement in the livelihood of the women in the informal sector. The response variable is dichotomous and denoted by $Y_i, i = 1, 2, \dots, n$ which is a Bernoulli random variable with two possible values, $y_i = 1$ with probability of improvement in the livelihood $P_i = P(y_i = 1/X_i)$ and $y_i = 0$ with probability of no improvement in the livelihood $1 - P_i = 1 - P(y_i = 1/X_i)$.

The logistic model is defined as follows. Let $Y_{n \times 1}$ be a dichotomous outcome random variable with categories 1 (improvement in the livelihood) and 0 (no improvement in the livelihood). Let $X_{(n \times (k+1))}$ denote the collection of k-predictor variables of the response, where

$$\mathbf{X} = \underbrace{\begin{pmatrix} 1 & X_{11} & X_{12} & \dots & X_{1k} \\ 1 & X_{21} & X_{22} & \dots & X_{2k} \\ \cdot & \cdot & \cdot & \dots & \cdot \\ \cdot & \cdot & \cdot & \dots & \cdot \\ \cdot & \cdot & \cdot & \dots & \cdot \\ 1 & X_{n1} & X_{n2} & \dots & X_{nk} \end{pmatrix}}_{n \times (k+1)} = \begin{bmatrix} X_1 \\ X_2 \\ \cdot \\ \cdot \\ \cdot \\ X_n \end{bmatrix}$$

Where \mathbf{X} is called regression matrix, and without the loading column of 1's, is termed as predictor data matrix. Then, the conditional probability that the i^{th} women showing

improvement in her livelihood given the vector of predictor variables, X_i is denoted by $P_i = P(y_i = 1|X_i)$. The expression P_i in logistic regression model can be expressed in the form of:

$$P_i = P(y_i = 1|X_i) = \frac{e^{X_i\beta}}{1 + e^{X_i\beta}}, i = 1, 2, \dots, n$$

Where, $P(y_i = 1|X_i)$ is the probability of i^{th} women showing improvement in her livelihood given her individual characteristics, X_i , and $\beta = (\beta_0, \beta_1, \dots, \beta_k)^T$ is a vector of unknown coefficients with dimension of $(k + 1) \times 1$.

However, the relationship between the probability of i^{th} women showing improvement in her livelihood and her characteristics are nonlinear. In order to make meaningful interpretation, the probability of i^{th} women improvement in the livelihood should be written as linear combinations of predictors. This is computed using the logit transformation of the probability of i^{th} women showing improvement in her livelihood which is given by:

$$\text{logit}[P_i] = \log\left(\frac{P_i}{1 - P_i}\right) = \sum_{j=0}^k \beta_j X_{ij}, i = 1, 2, \dots, n; j = 0, 1, \dots, k$$

Where, $X_{i0} = (1, 1, \dots, 1)^T$

The coefficient of a continuous covariate is interpreted as the change in the log-odds of improvement in the livelihood per unit increment in the corresponding covariate. In case of categorical predictor variables, it is interpreted as the log-odds of improvement in the livelihood among women in a given category compared to the reference category.

3.7.2.2 Assumptions of Logistic Regression

The advantage of the logistic regression is that it has flexible assumptions as compared with discriminant analysis. There are, however, other assumptions one should consider for the efficient use of logistic regression as detailed in (Hosmer and Lemeshow, 1989).

1. Logistic regression assumes meaningful coding of the variables. Logistic coefficients will be difficult to interpret if not coded meaningfully. The convention for binomial logistic regression is to code the dependent class of greatest interest as 1 and the other class as 0.
2. Linearity in the logit – the regression equation should have a linear relationship with the logit form of the dependent variable. There is no assumption about the predictors being linearly

related to each other.

3. The dependent variable must be dichotomous.
4. The dependent variable does not need to be normally distributed, but it typically assumes a distribution from an exponential family (e.g. binomial, Poisson, multinomial, normal); binary logistic regression assume binomial distribution of the response but makes no assumption about the distribution of the independent variables.
5. The groups must be mutually exclusive and exhaustive; a case can only be in one group and every case must be a member of one of the groups.
6. Larger samples are needed than for linear regression because maximum likelihood coefficients are large sample estimates. A minimum of 50 cases per predictor is recommended.
7. There should not be severe co linearity among predictor variables.

3.7.2.3 Parameter Estimation in Logistic Regression Model

The most commonly used method of estimating the parameters of a logistic regression model is the method of Maximum Likelihood (ML). In logistic regression, the likelihood equations are non-linear explicit functions of the unknown parameters. Therefore, we use a very effective and well known as the Newton-Raphson iterative method also known as iteratively reweighted least squares algorithm to solve the equations (Hosmer and Lemeshow, 1989). Hence, in this study the maximum likelihood estimation technique is used to estimate parameters of the model.

Consider the logistic model $P(y_i = 1|X_i) = \frac{e^{X_i\beta}}{1+e^{X_i\beta}}$. Since observed values of $Y(Y_i, i = 1, 2, \dots, n)$ are independently distributed as Bernoulli random variables, the likelihood function of Y is the joint density function given by:

$$L(\beta|Y) = \prod_{i=1}^n P(y_i = 1|X_{i1}, \dots, X_{ik}) = \prod_{i=1}^n \left[\frac{e^{X_i\beta}}{1 + e^{X_i\beta}} \right]^{y_i} \left[\frac{1}{1 + e^{X_i\beta}} \right]^{1-y_i}$$

The maximum likelihood estimates of the parameters β are obtained by maximizing the log-likelihood function which is given by:

$$\log L(\beta|Y) = \sum_{i=1}^n \left\{ y_i \log \left[\frac{e^{X_i\beta}}{1 + e^{X_i\beta}} \right] + (1 - y_i) \log \left[\frac{1}{1 + e^{X_i\beta}} \right] \right\}$$

The maximum likelihood estimates of the parameters are found by the derivation of the log-likelihood function with respect to each β 's and set each equation to zero which is given as:

$$\frac{d \log L(\beta|Y)}{d\beta_j} = 0, \quad j = 1, 2, \dots, k$$

Odds Ratios

The odds ratio is the ratio of the odds of an event occurring in one group to the odds of occurring in another group. The odds ratio (OR) is a popular measure of the strength of association between exposure and disease. In a cohort study, the odds ratio is expressed as the ratio of the number of cases to the number of non-cases in the exposed and unexposed groups (Cornfield, 1951).

In binary logistic regression, odds ratio is the exponential of the estimated coefficient $\hat{\beta}$ ($\exp(\hat{\beta})$). An odds ratio of one corresponds to an explanatory variable that does not affect the outcome variable. For continuous covariate, $\exp(\hat{\beta})$ is the predicted change in the odds of improvement in the livelihood for a unit increase in predictor variable. In case of categorical predictor variable, $\exp(\hat{\beta})$ is the predicted change in odds of improvement in the livelihood for a given category of the predictor variable with respect to the reference category.

3.7.2.4 Assessment of the Fit of Logistic Regression Model

After fitting the logistic regression model or once a model has been developed through the various steps in estimating the coefficients, there are several techniques involved in assessing the appropriateness, adequacy and usefulness of the model. First, the importance of each of the explanatory variables will be assessed by carrying out statistical tests of the significance of the coefficients. Then the overall goodness of fit of the model will be tested (Agresti, 1996).

The Pearson's Chi-square, the likelihood ratio tests (LRT), Hosmer and Lemeshow Goodness of fit Test and the Wald tests are the most commonly used measures of goodness of fit for categorical data (Hosmer and Lemeshow, 1989).

3.8 Qualitative Data Analysis

Qualitative data analysis method of the study would have four essential major steps: raw data management, data reduction, data interpretation and, finally data representation. Raw data management or 'data cleaning' was the process of preparing and organizing raw data into meaningful units of analysis: i.e. text or audio data transformed into transcripts. After the data is cleaned the next step is data reduction or 'chunking', 'coding':- it means the process of reducing data from chunks into clusters and codes to make meaning of that data, The third step is data interpretation & themes, it means 'chunks' of related data that have similar meaning are coded in several cycles and interpret themes to answer research questions. The final phase of qualitative analysis is data representation (making sense of the data for others) or interpretation and analysis of qualitative data.

3.9 Variables of the Study

Variables considered in this study are categorized in to dependent and explanatory/predictor variables.

3.9.1 Dependent variable: is a variable whose values are influenced by the values of other variables or dependent variable as a variable that is potentially influenced by the independent variables, because it is influenced by, and thus to some extent depends on the independent variables. In this case the dependent variable of the study is livelihood improvement of women in the informal sector.

3.9.2 The explanatory/predictor variables: are those variables which are presumed to affect or determine a dependent variable. They can be changed as required, and their values do not represent a problem requiring explanation in an analysis, but are taken simply as given. Since the explanatory variables included in this study are age, educational level, marital status, no of dependents at home, place of birth, having other job, saving status, start-up capital, linkage with formal sector, no of years stayed in current work and profit per day.

CHAPTER FOUR: DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter attempts to answer the specific basic research questions and test the hypotheses that were raised in Chapter One by thoroughly analyzing and discussing using both quantitative and qualitative data. The data sets for analysis were collected by using questionnaire (for quantitative data) and checklist guides (for qualitative interviews, and focus group discussion with government officials) and observation during data collection. The data sets are presented in two sections.

The first section presents the findings of the study that emanate from observation and questionnaire data collected from sample participants of the informal sector operators. The collected data were analyzed by using descriptive statistics, Proportion (Binomial test) and by applying Binary Logistic Regression Analysis.

The second section presents the findings of the study from interviews of government officials and NGO and focus group discussion with government officials. Qualitative data were analyzed by using qualitative data analysis method and it has four steps; raw data management, data reduction, data interpretation and, finally data representation.

The analysis was made in step-by-step presentation for the purpose of triangulating the results, on one hand, and to ensure that the findings are examined from substantive evidence, on the other hand.

4.2 Presentation and Analysis of Data Collected from the Sampled Informal Sector Operators

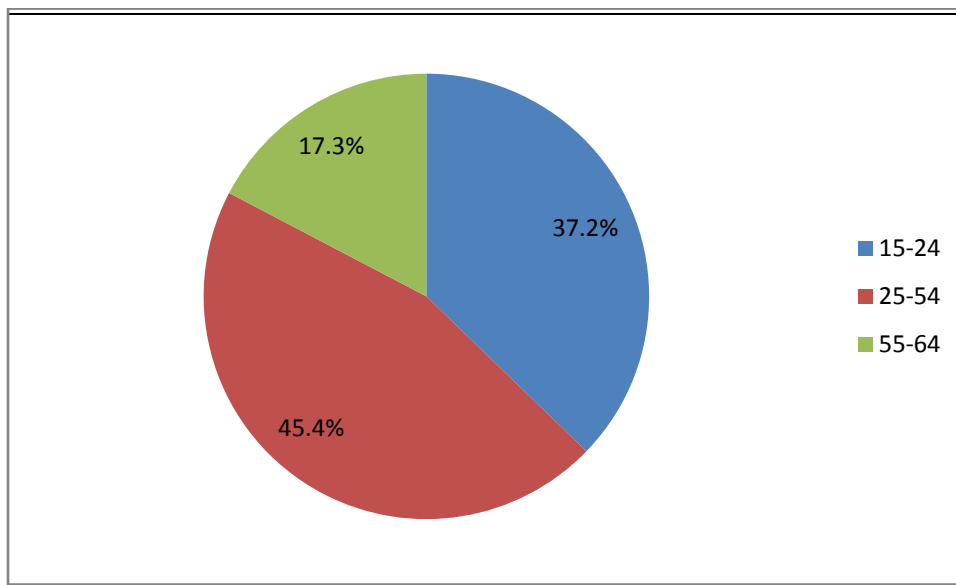
4.2.1 General Characteristics of the Informal Sector Operators

The respondents were asked to indicate their age, educational background and marital status in order to get some insight on their demographic characteristics. Also these data sets were used to see if the personal background information was related to the causes for the engagement of the selected women in the informal sector businesses.

4.2.1.1 Age of the sampled respondents

Based on the CSA-Ethiopia age structure arrangement the respondents were categorized under five groups. Below 14 years, 15-24 years, 25-54 years, 55-64 years and 65 years and above. The data results in Figure 4.1 below shows that majority of women operators are found in the active age group. The age groups between 25-54 years constitute 46 percent of the total respondents. About 37 percent are between 15-24 years and the rest 17 percent are found between 55-64 years.

Figure 4.1: Age groups of the sampled respondents



Source: Own Survey Result (March 2017)

In terms of educational attainment, the age groups from 15 to 24 are assumed to be in senior secondary or in higher education learning, in preparation for the labor market and decent work. However, from these young age groups, considerable numbers are informal sector operators. This trend, if not intervened, will perpetuate the vicious cycle of poverty.

Women, who are economically active, are engaging in the informal sector and this show that they are highly motivated to survive and to escape from poverty.

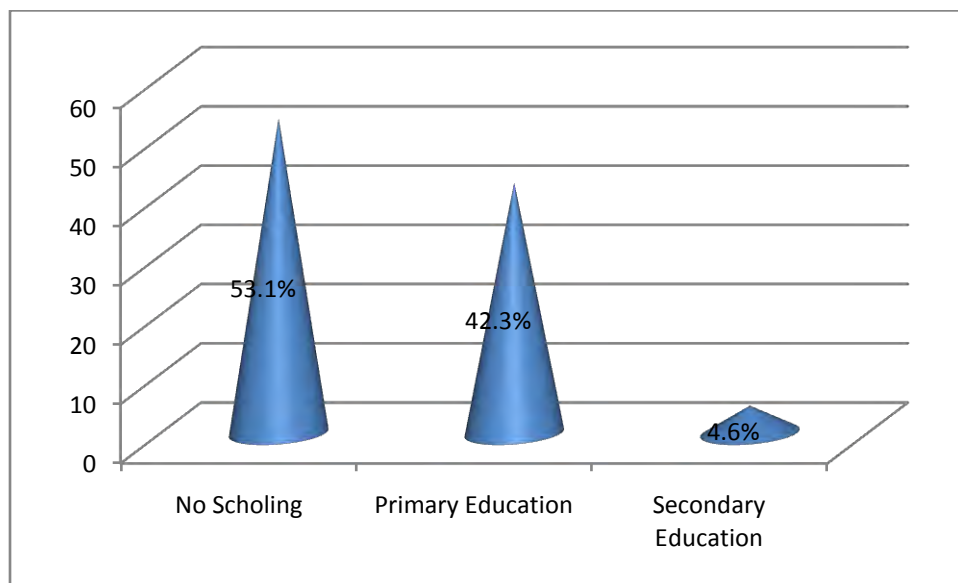
4.2.1.2 Educational level of the sampled informal sector operators

The data results in Figure 4.2 below shows that out of 196 informal sector operators that took the questionnaire, only five percent took some level of secondary education. Those with primary

education constituted 42 percent and the remaining respondents who have not attended any formal education but engaged in informal sector business operation are 53 percent.

From this one can infer that low level of education and being an informal sector operator has direct relationship or high engagement in the informal sector is associated with educational level. Therefore low educational attainment is one of the driving forces to be informal sector business operators.

Figure 4.2: Educational level of the sampled respondents



Source: Own Survey Result (March 2017)

In addition, this means that access to education is not easy for women or the opportunity to get education is very low. Poverty and family responsibility is also higher for women with low education and were engaging in the informal sector. This study is consistent with (Ebisa, 2012) women have fewer educational opportunities than men which force them to join informal sector activities.

4.2.1.3 Marital status of sampled informal sector operators

The data results in Table 4.1 below show that among those engaged in the informal sector, 53.6 percent were married. Single women constituted 10.7 percent, and the remaining 21 percent and 14 percent of the respondent were divorced and widowed respectively.

Table 4.1: Marital status of the sampled respondents

Marital status	Number of Sampled Informal Sector Operators	Percent %
Single	21	10.7
Married	105	53.6
Divorced	42	21.4
Widowed	28	14.3
Total	196	100.0

Source: Own Survey Result (March 2017)

From the above table one can draw that the chance of women to be an informal sector operator will increase when they are married. This means woman wants to do a job to generate livelihood income because of the reality that the family size will increase after they married and the income of her husband or other will not suffice for the household cost. The involvement of single women in the informal sector is low.

4.2.2 Place of birth of sampled informal sector operators

The data results in binomial test table below shows that 13 percent of the respondents are native, about 87 percent of the sampled informal sector operators are migrated to Addis Ababa.

Table 4.2: Binomial test of place of birth of the sampled respondents

Place of birth	N	Observed Prop.	Test prop	Exact Sig. (P value)
Outside Addis Ababa	171	.87	.50	.000
In Addis Ababa	25	.13		
Total	196	1.00		

Source: Own Survey Result (March 2017)

From the above binomial test table, since the p-value (0.000) is less than the level of significance ($\alpha=0.05$) reject the null hypothesis. This means most of the informal sector operators are migrated from the rural area which is significantly above 50 percent. This shows that the linkage between rural-urban migrations and to be an informal sector operator. On the other hand, this shows that the absorption capacity of the formal sector in the rural area or the capacity to create jobs is very low or it requires education level. This study is consistent with (Mohd and

Pushpendra,2014) the informal sectors had higher proportion of migrant’s labor and migrants primarily trace work in the informal sector in cities as they do not possess adequate skills that are required to get jobs in organized sector.

4.2.3 Reasons to migrate

The survey result shows that from the total sampled informal sector operators 74 percent of the respondents are migrated to search a job in the urban area and the remaining respondents migrate because to live with relatives, attraction of the city and marriage. This constitutes 3 percent, 11 percent and 12 percent of the total respondents respectively.

Table 4.3: Reasons of the sampled respondents for migration to Addis Ababa

Reasons to migrate	Number of Sampled Informal Sector Operators	Percent%
To search a job	145	74
To live with Relatives	6	3
Attraction of the city	22	11
Because of Marriage	23	12
Total	196	100

Source: Own Survey Result (March 2017)

The results in table 4.3 above indicate that the informal sector holds high number of women who are migrated from the rural area. These women groups joined the current business because it was the only way out to generate livelihood income in the new setting for the unskilled migrants.

This study is similar with (Asmamaw, undated). One of the significant contributions of the informal sector in the development process has been employment creation for the unskilled labor. The rural to urban migration, combined with relatively freezing wage employment opportunities in the formal sector, has raised the importance of informal business occupations for the poor.

4.2.4 Respondent’s job history before starting this Business

The data presented in binomial test Table 4.4 shows that, of the total respondents of the informal sector operator, 89 percent of women were unemployed and 11 percent of them were employed.

Table 4.4: Binomial test of job history of the sampled respondents

What were you doing before starting this Business?	N	Observed Prop.	Test prop	Exact Sig. (P value)
Unemployed	174	.89	.50	.000
Employed	22	.11		
Total	196	1.00		

Source: Own Survey Result (March 2017)

From the above binomial test table, since the p-value (0.000) is less than the level of significance ($\alpha=0.05$) reject the null hypothesis and then significantly above half of the women were unemployed before starting this business. This means the informal sector can create employment for high number of women those who are migrated from the rural area and for those who live in the city and this will help them to generate income.

This study is consistent with (ILO, 1972), the informal sector is capable of absorbing large proportion of the new entrants into the labor force that the formal sector is unable to cope with the increasing numbers of the poor, unskilled, and illiterate. The majority of survival needs drivers such majority to create employment or self-employment and generate income in the informal sector. In addition the informal sector is the major provider of job for the youth in Africa (ILO, 2011) and in Ethiopia. For instance, about 26.5 percent of youths were engaged in informal sector businesses in Ethiopia (CSA, 2016).

4.2.5 Reasons of the respondents for involving in the informal sector

Table 4.5: Reasons of the sampled respondents to involve in the informal sector

Why informal sector	Number of Sampled Informal Sector Operators	Percent%
As source of income/survival	186	94.9
Avoiding taxation and/or registration fee	4	2.0
For profit making	6	3.1
Do not fulfill the requirement to operate in the formal sector	33	16.8
Lack of startup and investment capital	59	30.1

Source: Own Survey Result (March 2017)

Note: n=196, the percentage do not add to 100% since multiple answers are possible.

The result in Table 4.5 above show that majority of the operators; about 95 percent agree that they operate in the informal sector because it's the only source of income. About 30 percent of them responded that they involve in the informal sector because of the capital they are able to invest is small. About 17 percent of the respondents involve in this sector because they do not fulfill the minimum requirements to operate in the formal sector and the rest 5 percent mention issues related to profit making, avoidance of taxation and registration fees. This shows that the informal sector is a survival option for the poor to generate livelihood incomes. This study is consistent with (Asmamaw, undated). Informal business activities are closely linked with inadequate income maintenance or income generation activities and such economy consists of sets of survival activities performed by destitute people on the margins of society and economic dynamism of unregulated income-generating activities.

4.2.6 Source and Amount of initial capital of sampled informal sector operators

4.2.6.1 Source of initial capital

As can be clear from the table below, the operators who started their business with borrowing from friends or relatives were 49 percent. On the same table, from the sampled informal sector operator 41.8 percent of the respondents start the business from their own savings and the remaining were got assistance from the Government or NGO.

Table 4.6: Source of initial capital of the sampled respondents

Source of initial capital	Number of Sampled Informal Sector Operators	Percent%
Own Saving	82	41.8
Assistance from Government or NGOs	18	1.0
Borrowing from Friends or Relatives	96	49.0
Total	196	100.0

Source: Own Survey Result (March 2017)

4.2.6.2 Amount of initial capital

On the other side, the table below shows the start-up capital of most of the respondents, which are 59 percent, is less than ETB 300 and the informal sector operators who had initial capital

from 300-500 ETB were 24 percent. The remaining 8.7 percent and 8.2 percent start the business by more than 1000 and 600-900 respectively.

Table 4.7: Start-up capital of the sampled respondents

Start-up capital	Number of Sampled Informal Sector Operators	Percent%
Less than 300	116	59.2
300-500	47	24.0
600-900	16	8.2
More than 1000	17	8.7
Total	196	100.0

Source: Own Survey Result (March 2017)

In one way, this will make the operator to develop their own business skill with little risk and on the other hand, this will affect the size and rate of growth of their work and capacity to develop their own business. Generally lack of capital hinders for the development of the sector and the capacity of the operator on the other side.

4.2.7 Working condition and business characteristics

Figure 4.3 and 4.4 below shows that the operators devoted more hours per day and more days per week to the business to make a success.

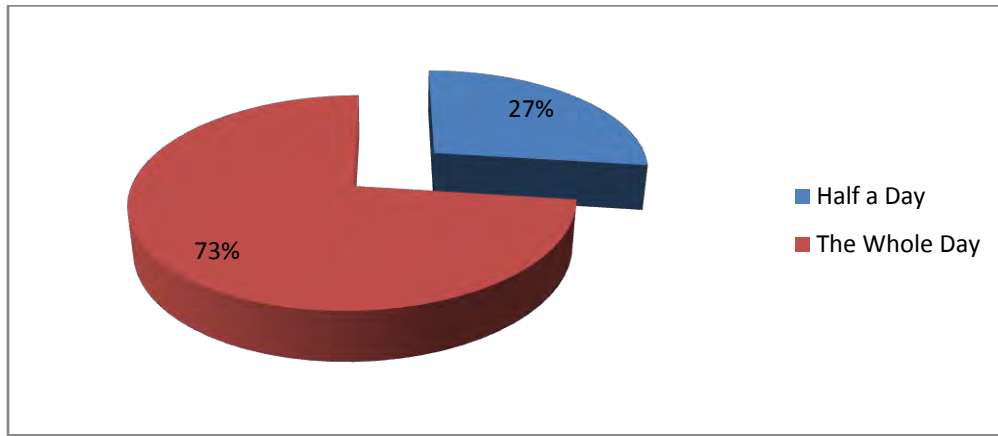
4.2.7.1 Hours per day

The result demonstrates that 73 percent spent the whole day (starting early in the morning and they stay until night) and the remaining 27 percent spent the half day.

In light of this, According to Ethiopian labor law section Proclamation No.210/63 which provides standard of working hours, currently, regular working hours for employees under the civil service is 39 hours. This translates in to about 8 hours of work per day (Art 32)<https://chilot.files.wordpress.com/2011/06/employment-and-labour-law.pdf>.

In contrary to the above, the situations of the informal sector operators are different. More often they work longer hours; this implies that the business requires high time investment to get considerable benefit.

Figure 4.3: Hours spent by the informal sector operator from sampled respondents



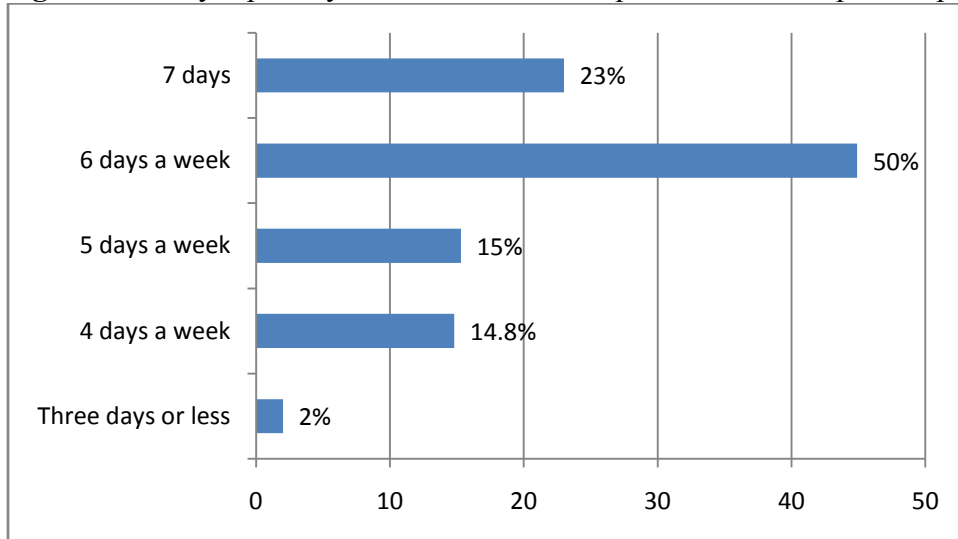
Source; Own Survey Result (March 2017)

Every day I wake up early in the morning at 11 o'clock; I prepare breakfast to my children, and I send them to school, I go to "Atekelte Tera" to buy salable products and usually I start my work at 2:00 and I will stay until 1:00 o'clock, and I'm back home and I make dinner to my children and I go to sleep most of the time at the mid of night and again I wake up at 11 o'clock as usual.

4.2.7.2 Days per week

On the other hand Figure 4.4 show that from seven days a week 45 percents of sampled respondents spent 6 days, followed by 23 operator of the operator spent the whole days per week and the remaining 15 percent, 14 percent and 2 percent of the respondents spent 5 days, 4 days and three or less days per week respectively.

Figure 4.4: Days spent by the informal sector operator from sampled respondents

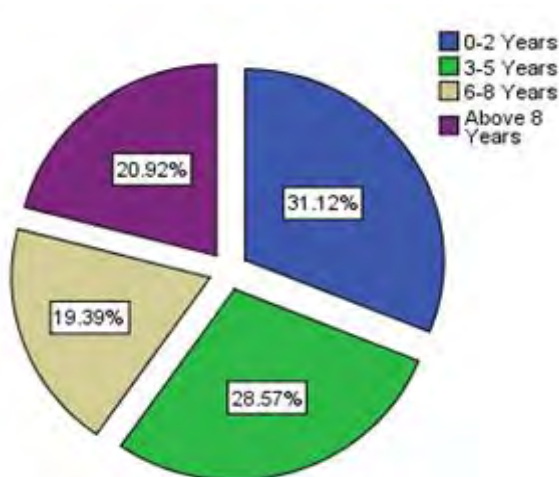


Source; Own Survey Result (March 2017)

From this one can infer that the informal sector requires high time investment because the profit they get from operating the business is very low and to compensate this they are obliged to work without rest.

4.2.7.3 Duration in the current business

Figure 4.5: Number of years of the sampled respondent working in the current business



Of the total respondents of the informal sector operators 31.1 percent have been in the business with 0-2 years, 29 percent have been in the business for 3-5 years and 19 percent of the respondents have been 6-8 years and the remaining 21 percent are above 8 years.

Source: Own Survey Result (March 2017)

From the above figure, about 69 percent of the respondents stay in the current business activity for more than three years. This may have the operators in this sector have no the capacity to grow up or transform the business in to formal sector and this sector serve as a survival way.

4.2.7.4 Register daily and monthly income

Table 4.8: Register daily and monthly income of the sampled respondents

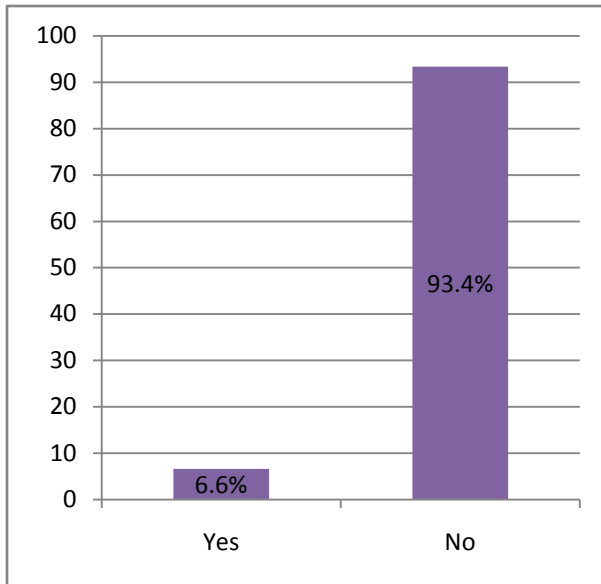
Register income	Number of Sampled Informal Sector Operators	Percent
Yes	0	0
No	196	100
Total	196	100

Source; own survey result (2017)

The sampled respondents were asked *“did you register your daily and monthly income?”* the responses of all of the respondents were no, they did not register the daily and monthly income and the reason mentioned by the respondents were *“we use the money for daily survival strategy or we use it for “Hand to Mouth”*. This result is consistent with the definition provided by the (CSA, 2011). According to CSA definition, the informal sector is a sector in which operators have no full written book of accounts that show monthly income statement and balance sheet.

4.2.8 Additional work and the Reasons

Figure 4.6: Additional work or activity that the sampled respondents are engaged



The result in Figure 4.6 shows that when the respondents were asked, if they are engaged in an additional job or activity? 93.4 percent respond No, they have not been engaged other than this business. According to the study the remaining 6.6 percent of the operators respond Yes, they do additional work besides this business like washing clothes and making injera. This in dictates that the informal economy is one of the majority options for many low-income citizens.

Source: Own Survey Result (March 2017)

Figure 4.7: Reasons of the sampled respondents having additional work

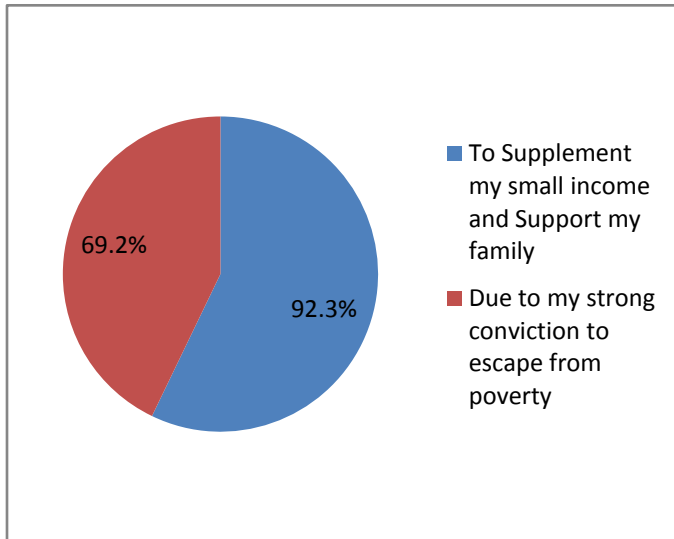


Figure 4.7 shows that the respondent's reason having another job. And the major reason mentioned by the respondents were to supports their small livelihood income and by doing this to escape from poverty.

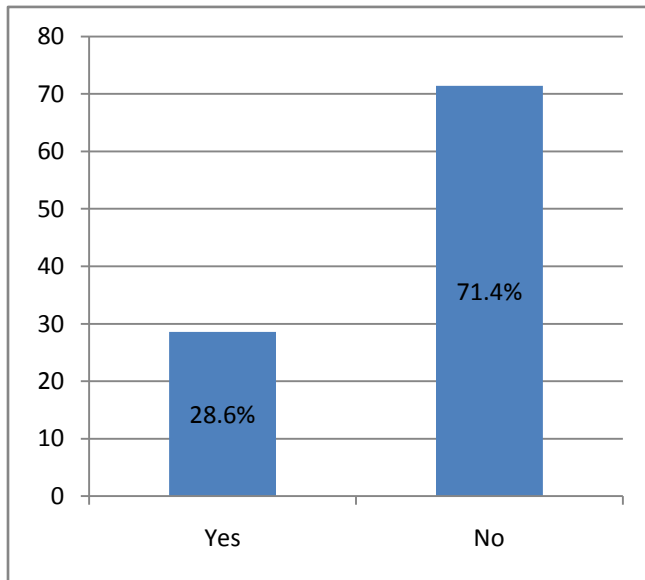
Source: Own Survey Result (March 2017)

Note: n=196, the percentage do not add to 100% since multiple answers are possible.

But this does not mean that those who do nothing have no other source of income. The survey result in Table 4.1 shows that the marital status of women, of which 53.6 percent of them are married, this means even though they did not work additional work to supplement their small income they may have other source of income from their husband or other.

4.2.9 Saving capacity of sampled respondents

Figure 4.8: Saving status of the sampled respondents



As presented in the Figure 4.8 about 71.4 percent of the respondents lack the capacity to save from their daily and monthly incomes. The reason behind on this is that the income they generate is very low and only used for household provision or survival. On the other hand about 28.6 percent of the respondents save from their own income. This is likely because of the less dependency ratio in the household.

Source: Own Survey Result (March 2017)

Figure 4.9: Amount saved by the sampled respondents

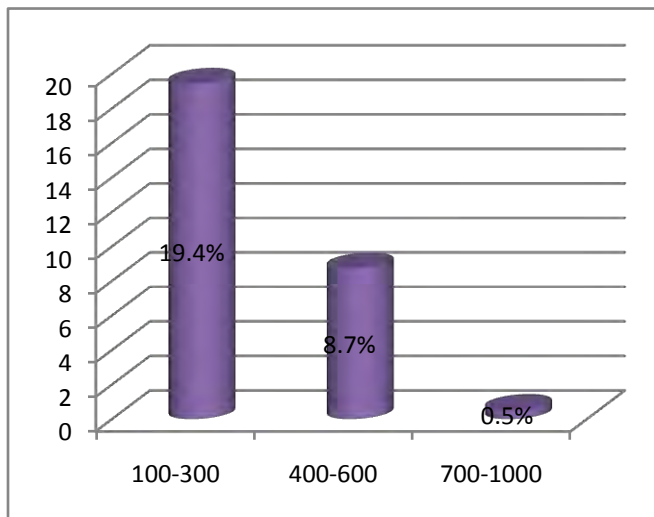


Figure 4.9 reveals that the amount of money saved by sampled informal sector operators. Those sampled operators who save money from 100-300 ETB constitute 19 percent of the respondents. But the capacities of those who save from monthly income are very low.

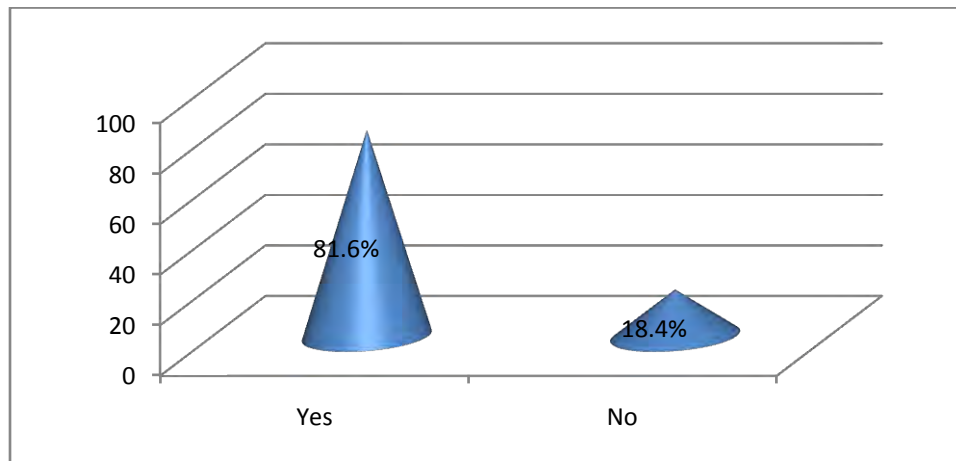
The remaining of the respondents, that are 8.7 percent and 0.5 percent save 400-600 ETB and 700-1000 ETB birr respectively.

Source: Own Survey Result (March 2017)

4.2.10 Business Activities and customers of the Sampled Informal Sector Operators

4.2.10.1 Linkage between formal and informal sector

Figure 4.10: Linkages of sampled informal sector respondents with formal sector

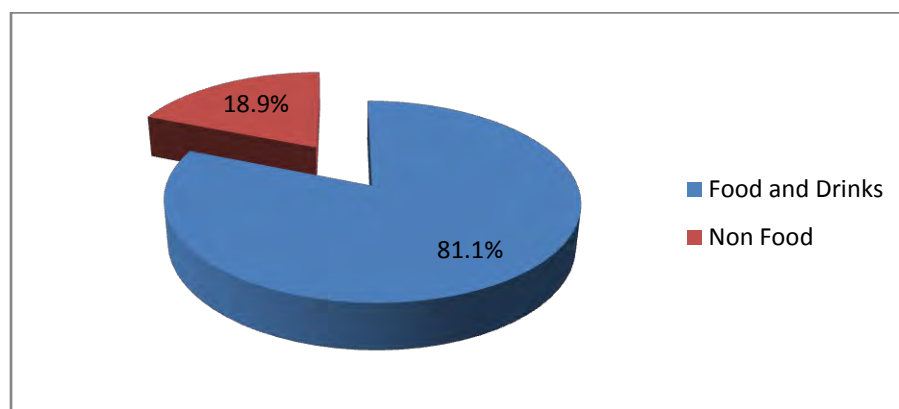


Source: Own Survey Result (March 2017)

The formal and informal ends of the economic continuum are often dynamically linked. The informal sector has both backward and forward linkages with the formal sector. The backward linkages involve the flow of raw materials, finance, and goods from the formal to the informal sector. The forward linkages involve the use of informal sector products and services as inputs into the formal sector's production process. The data revealed in Figure 4.10 above also show this linkage. From the sampled informal sector operators 81.6 percent of the respondents have linkage with the formal sector but the remaining 18.4 percent have no any linkage with the formal sector.

4.2.10.2 Kind of good

Figure 4.11: kind of good sold by the sampled respondents



Source: Own Survey Result (March 2017)

The above Figure shows that, from the sampled informal sector respondents, 81 percent operators engaged in selling food items (perishable goods) like different kinds of vegetables and fruits (See Annex C) and the remaining 19 percent of the respondents engaged on selling non-food items (See Annex C). The data obtained from my observation also assures this result. In the manner that women were most likely to provide goods or items that are used for daily consumption. The classifications of the job are socially delineated for women and men. In most cases selling goods/vegetables/food items are considered as the work of women in the society and this also related to cultural attitude towards job.

4.2.10.3 Customers of the informal sector operators

Informal sector activities are part of the socio-economic environment whose products and services are provided by the informal sector operators. These products and services are often utilized by every member of the community and the family members of the operators.

Table 4.9: Customers of the sampled respondents

Customers of the informal sector operators.	Number of Sampled Informal Sector Operators	Percent
All members of the community (poor and rich)	196	100
Total	196	100.0

Source; Own Survey Result (March 2017)

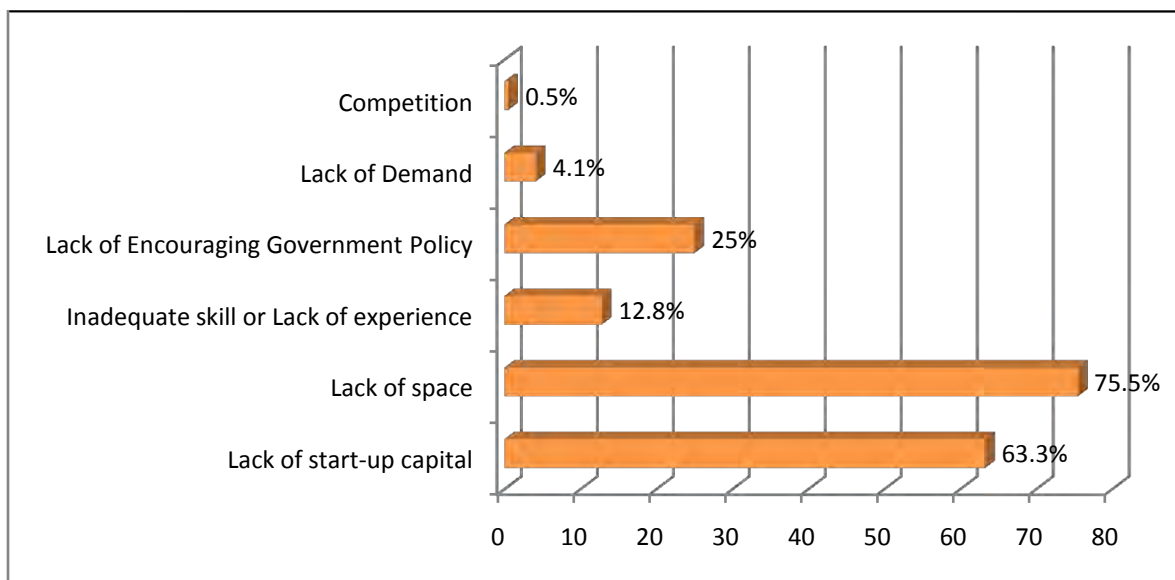
The table also depicts the products and services provided by the sampled informal sector operators are accessible to all section of the society in terms of price and place and the sector provides more over necessary goods and services especially for the lower income groups (ILO, 1972).

4.2.11 Challenges of the informal sector operators

4.2.11.1 Start-up challenges

Informal sector operators are constrained by a myriad of challenges when they start the business and after they start which they deter and limit the potential for the growth and productivity of the sector.

Figure 4.12: Major challenges that the sampled respondents faced during start-up of the business



Source; Own Survey Result (March 2017)

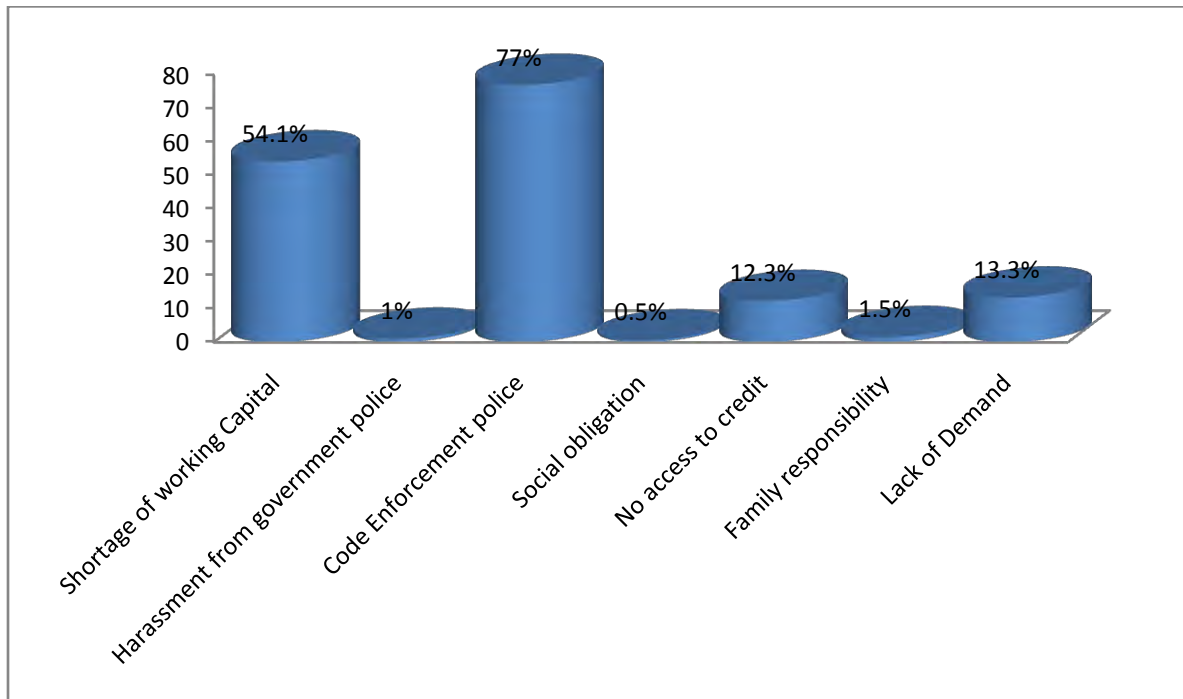
Note: n=196, the percentage do not add to 100% since multiple answers are possible.

The above Figure 4.12 shows that, almost all the respondents are struggling different challenges they face. About 75.5 percent of the respondents are challenged by lack of working place followed by 63 percent who are affected by lack of start-up capital. In addition to this challenges lack of encouraging government policy 25 percent, inadequate skill or experience to the business 13 percent and lack of demand 4.1 percent were another challenges of the respondents.

4.2.11.2 Challenges during the operation of the business

On the other hand challenges of the informal sector operator during the business are presented on Figure 4.13 below. The survey result indicates that the code enforcement police are the main challenges of the operator during the business which accounts for 77 percent of the respondent and working capital 54 percent is another obstacle of the operator. Lack of demand, no access to credit facility and family responsibility are other constraints during the operation with 13 percent, 12 percent and 2 percent respectively.

Figure 4.13: Major challenges that the sampled respondents faced during operation of the business



Source; Own Survey Result (March 2017)

Note: n=196, the percentage do not add to 100% since multiple answers are possible

In light of the above finding, the Central Statistical Agency (CSA,2011) also indicated critical problem areas that have adversely affected informal sector growth and development. These obstacles to informal sector development include: the problem of government rules and regulations, inadequate skills or experience, getting market opportunities, lack of sufficient capital and access to credit facilities.

4.2.12 Future interest of the sampled informal sector operators

Table 4.10: Binomial test of future plan of the sampled respondents

Next plan	N	Observed Prop.	Test prop	Exact Sig. (P value)
Continue with the same operation	34	.17		
Expand the business and shift to formal sector	162	.83	.50	.000
Total	196	1.00		

Source: Own Survey Result (March 2017)

From the above binomial test table, since the p-value (0.000) is less than the level of significance ($\alpha=0.05$) reject the null hypothesis. That means significantly above 50 percent of women who are involved in the informal sector are planning to expand and transform the business into the formal sector which means the sector serves as a survival strategy on one hand and to develop business skill on the other hand.

About 83 percent of the respondents want to transform in the formal business environment. From this one can infer that the sector is a stepping stone to transform in to formal sector and the sector helps those women either to survive or to improve the livelihood income of their own and their family. In addition it helps a lot to develop the business skill or capital they need and they transform the business to the formal sector. The spillover effect will be economic development of the country in one side by generating revenue (tax) from those who transfer in to formal sector and it enhance women economic development on the other hand.

In light of the above analysis, the Addis Ababa Chamber of Commerce study is consistent with my study. The informal sector is regarded as the natural home of entrepreneurship which provides an ideal environment for building the foundation for economic growth and social progress. It helps to develop the business knows how and skills of the operators in the pursuit of employment creation, generation of income and more equitable distribution of resources and through the development of entrepreneurship the informal sector helps to transform in to legal business environment. Finally it helps to minimize problems of unemployment and poverty (Addis Ababa Chamber of Commerce, 2001).

The remaining 17 percent are not interested to transform the business in to formal sector this is likely because they fear the government bureaucracy, registration process (cost and time) and taxation system and based on my data if the legal environment is suitable they want to come in to legal business environment. Therefore, the government should reduce bottlenecks to transform in to formal business environment. This study is also supported by legalist school of thoughts. They advocate that the informal sector as comprised of “plucky” (brave and courageous) micro-entrepreneurs who choose to operate informally in order to avoid the costs, time and effort of formal registration and this hostile legal system leads the self-employed to operate informally with their own informal extra-legal norms (De Soto, 1989, 2000).

To the above problems, the legalist school of thought and the neoliberal theorists argue that the governments should decrease government regulation or introduce simplified bureaucratic procedures to encourage informal enterprises to register and extend legal property rights for the assets held by informal operators in order to unleash their productive potential and convert their assets into real capital (De Soto, 1989, 2000 and Williams, 2012).

Table 4.11: The sampled respondents desire to expand their business

To expand the business	Number of Sampled Informal Sector Operators	Percent
Loan or credit facility	69	37.7
Training	11	6.0
A developed market place with facilities or a shop of your own	163	89.1
A license	107	58.5

Source: Own Survey Result (March 2017);

Note: the percentage does not add to 100% since multiple answers are possible.

The above table shows that 89 percent of those who want to expand their business needed a developed market place, 58.5 percent of the respondent need license, and the remaining 38 percent and 6 percent wants loan or credit facility and training respectively.

4.2.13 The Housing situation of the Sampled Informal Sector Operators

4.2.13.1 Housing ownership

From the three necessities of human being house is the major one. Regarding where the respondents live, Table 4.12 shows that totally the respondents do not have their own house.

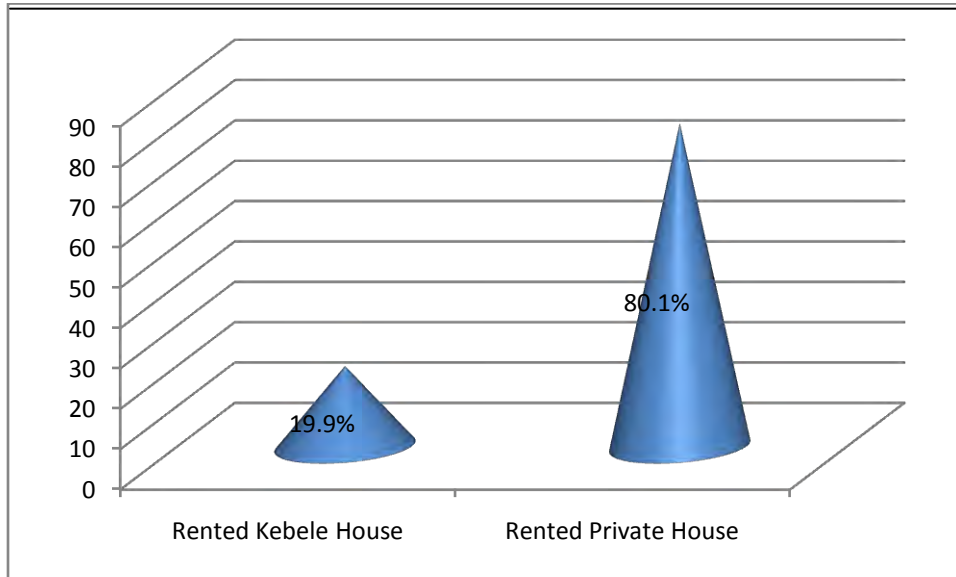
Table 4.12: Housing ownership of the sampled respondents

House Ownership	Number of Sampled Informal Sector Operator	Percent
Yes	0	
No	196	100

Source: Own Survey Result (March 2017)

4.2.13.2 Housing situation

Figure 4.14: Housing situations of the sampled respondents



Source: Own Survey Result (March 2017)

The above figure show that 80 percent of the respondents live in a rented private house in which the cost for rent is high when compared with the income they get and 20 percent of the respondents live in rented kebele house in which the cost for rent is low when compared with the private rent house.

4.2.13.3 Amount of money paid for rent

Table 4. 13: Amount paid for rent by the sampled respondents

Amount of rental fee, if any	Number of Sampled Informal Sector Operator	Percent
Less than 300	39	19.9
400-600	59	30.1
700-1000	81	41.3
More than 1000	17	8.7
Total	196	100.0

Source: Own Survey Result (March 2017)

According to the data obtained from the survey, all the participants paid rent. Of the respondents, 20 percent paid less than 300 ETB per month because of they live/rent Kebele house and 30 percent paid rent 400-600, 41 percent paid rent between 700-1000 ETB per month, while the remaining 9 percent paid more than 1000 ETB per month. This implies that based on the current housing rent price they pay relatively low but this might have another implication i.e. the respondents live on poor housing condition or lives on squatter area which is delineated from basic necessity like electricity or water supply.

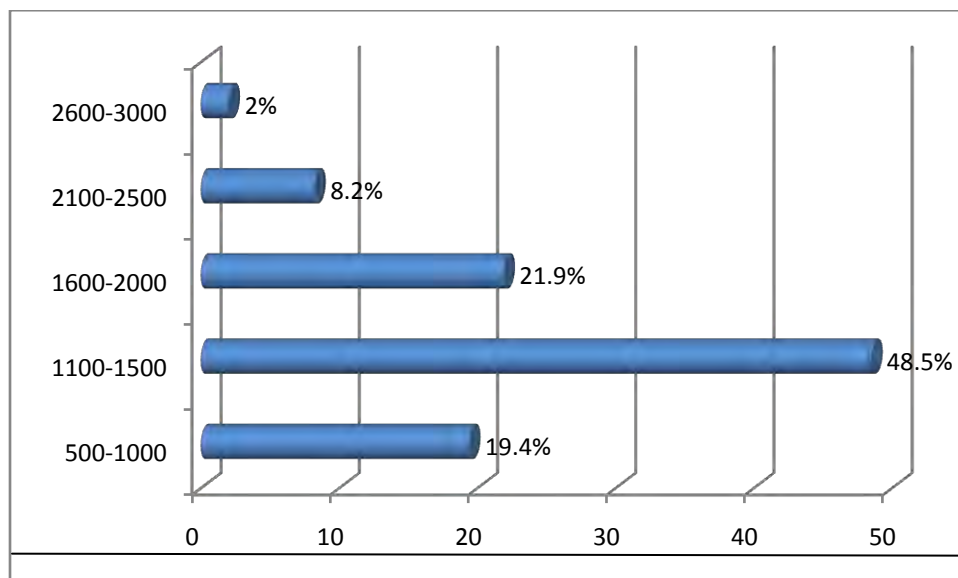
4.2.14 Cost of living of sampled informal sector operators

With regard to cost of living, the figure and tables below prevail the average amount of money spent for food, school fee and health issues per month.

4.2.14.1 Cost for food

Figure 4.15 shows that most of the sampled informal sector operators spend a significant amount of their income for food, which is one of the basic necessities for human being, followed by for school or transport and spend a little amount of money for health services. About 48.5 percent of the respondent spend 1100-1500 birr for food per month, followed by 21.9% spend 1600-2000 and the remaining 19 percent, 8 percent and 2 percent spend 500-1000, 2100-2500, 2600-3000 for food respectively. This implies that according to the current cost of living, relatively they spend less, this means the living standard of the selected informal sector operators and their dependents on the household are very low.

Figure 4.15: Money spend for food by the sampled respondents



Source: Own Survey Result (March 2017)

4.2.14.2 Cost for school fee, social service and transport

Table 4.14: Money spends for school fee, social service and transport by the sampled respondents

Money spend for school fee, for social service and transport	Number of Sampled Informal Sector Operators	Percent
0-500	137	69.9
600-1000	53	27.0
1100-1500	6	3.1
Total	196	100.0

Source: Own Survey Result (March 2017)

The above table shows that, about 70 percent of the respondents spend 0-500 ETB per month for children's school, social service and transport, while 27 percent of the respondents spend 600-1000 birr per month and the remaining 3 percent spend 1100-1500 birr per month.

4.2.14.3 Cost for health issue

Table 4.15: Money spend for health service by the sampled respondents

Money spend for Health	Number of Sampled Informal Sector Operators	Percent
0to 500 birr	193	98.5
600 to 1000 birr	3	1.5
1100 to 1500 birr	--	---
1600 to 2000 birr	--	--
Total	196	100

Source: Own Survey Result (March 2017)

The above table 4.13 prevails, 98 percent spent less than 500 birr on the health service and the remaining 1.5 percent spent 600 to 1000 per month. The surprising answer that I get from the respondents the question “why you spent less on health” is that God is with the poor and our children are always healthy.

4.2.15 Choices of Location by Sampled Informal Sector Operations

Table 4.16 depicts that the informal sector operator has different reason to select the area. Of the total respondents 46 percent select the area because the market is near to customer, 36 percent says they pay no rent on the space they use. The remaining 19 percent and 13 percent select the area because of no other appropriate site and the availability of more customers in the area respectively.

Table 4.16: Site (Location) of the sampled respondents

Reasons for choosing the current location	Number of Sampled Informal Sector Operators	Percent
The market is near to customer	90	45.9
I pay no rent on the space I use	71	36.2
The availability of more customer in the area	26	13.3
No other appropriate site	37	18.9

Source; Own Survey Result (March 2017)

Note: n=196, the percentage do not add to 100% since multiple answers are possible.

4.2.16 Earning and Living Standard of Sampled Informal Sector Operators

Of those asked about the daily income, 38.7 percent of the respondents made between 41-50 ETB per day, another group of 15.8 percent made 31-40 ETB per day, 14.7 percent made 51-60 ETB per day, 12.7 percent made 61-70 ETB per day while the remaining 7.6 percent and 10.2 percent made 21-30, 71-80 ETB per day respectively.

Table 4.17: Daily profit of the sampled respondents

Profit per day	Number of Sampled Informal Sector Operators	Percent
Less than 20	00	00
21-30	15	7.6
31-40	31	15.8
41-50	76	38.7
51-60	29	14.7
61-70	25	12.7
71-80	10	10.2
81-90	10	0
91-100	0	0
More than 100	0	0
Total	196	100

Source: Own Survey Result (March 2017)

In 2015, the World Bank updated the nominal poverty line from \$1.25 to \$1.90 per day. (<http://www.worldbank.org/en/news/feature/2016/01/13/principles-and-practice-in-measuring-global-poverty,2016>). And based on the current exchange rate (\$1=22 ETB). This means those people whose per day income is below 41.8 ETB are found in poverty line. From the above data those who live in poverty line constitutes almost 23.4 percent of the respondents. On the other hand 76.6 percent of the respondents are above the poverty line. From this, one can infer that the informal sector has their own contribution for poverty reduction by creating employment opportunity and generating income.

In light of this, the finding of the study is consistent with (Erneset, undated), the main contribution that the informal economy makes to poverty reduction is through the employment channel. The lack of employment opportunities in the public sector and in the

private formal sector has forced many to seek jobs in the informal economy in order to earn a living. Although their earnings remain low and a large number of them are classified as poor, the informal economy allows them an alternative source of livelihood. In addition in 2014, 29.6 percent of the Ethiopian Population lived on below poverty line (http://www.indexmundi.com/ethiopia/population_below_poverty_line.html).The vast majority of this population are the working poor, many of whom work in the informal economy (Ernest, undated).

Generally, the informal sector has its own contribution for women poverty reduction because of the assumption that the poor are more likely to work in the informal sector than in the formal economy and more poor women than non-poor women work in the informal economy.

4.2.17 Dependents of sampled informal sector operators

Age dependency ratio is the ratio of dependents --people younger than 15 or older than 64--to the working-age population--those ages 15-64. According to World Bank survey result Age dependency ratio, old (% of working-age population) in Ethiopia was reported as 6.3256% in 2015(<http://www.tradingeconomics.com/ethiopia/age-dependency-ratio-old-percent-of-working-age-population-wb-data.html>). Based on this the following two tables, table 4.18 and 4.19 shows dependents below 15 and above 64 years and dependents above 15 years and below 64 years.

Table 4.18: Dependents of the respondents (below 15 years and above 64)

Dependents below 15 and above 64	Frequency	Percent%
00	14	7.1
1-2	56	28.5
3-4	45	23
5-6	11	5.6
7-8	1	0.5
Total	127	65

Source: Own Survey Result (March 2017)

Table 4.18 prevail that about 28.5 percent of the respondent's holds 1-2 dependents in the household, 23 percent of the respondents holds 3-4 dependents, and the remaining 5.6 and 0.5 percent holds dependents of 5-6 and 7-8 respectively. This implies that women working in the

informal sector can administer a significant number of dependents in the household and most of them are students.

Table 4.19: Dependents of the sampled respondents (Above 15 and below 64 years)

Dependents above 15 and below 64 years	Frequency	Percent%
1-2	30	15
3-4	30	15
5-6	6	3
7-8	3	1.5
Total	69	34.5%

Source: Own Survey Result (March 2017)

The above table also depicts those dependents above 15 and below 64 years in the household. Women consists 15 percent, 15 percent, 3 percent and 1.5 percent of 1-2, 3-4, 5-6, 7-8 dependents respectively. This implies that even if there are not considered as dependents according to age arrangement in Ethiopia, but a significant number of dependents are administered by women informal sector operators.

4.2.18 Livelihood Income Improvement

The respondents were asked “Your current work/business improve the livelihood income and improve your life in a better way” Table 4.20 shows that from the aggregate operators 93 percent of the respondents agree that their current work/business activity improved the livelihood income and changed their life in a better way. In addition most of the respondents said that if they were not involved in this sector they would be exposed to high poverty and they would be either beggar or dependent on another person. The remaining 7 percent agree that the contemporary work did not improve the livelihood income and change their life.

Table 4.20: Binomial test of the sampled respondents on the current work improve or change the lives of women

Income Improvement	N	Observed Prop.	Test prop.	Exact Sig. (P value)
Yes	182	.93	.50	.000
No	14	.07		
Total	196	1.00		

Source: Own Survey Result (March 2017)

From the binomial test table, since the p-value (0.000) is less than the level of significance ($\alpha=0.05$) reject the null hypothesis. That means the livelihood has improved and living condition of those women who are involved in the informal sector are significantly changed in a better way.

Table 4.21: Ways of improvement of the respondents from sampled informal sector operator

Ways of improvement	Number of Sampled Informal Sector Operators	Percent
I support myself and people in the household economically	172	95.0
my monthly income has increased substantially	41	22.7
my working income has increased	45	24.9

Source; Own Survey Result (March 2017)

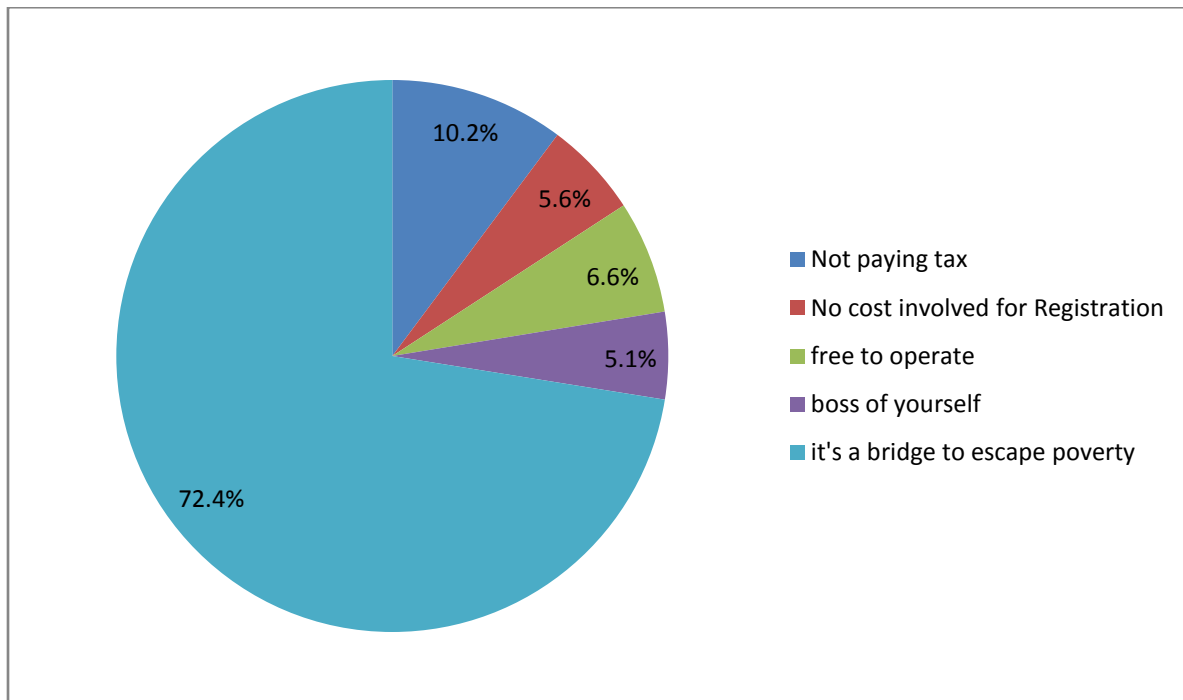
Note: n=196, the percentage do not add to 100% since multiple answers are possible.

Table 4.22 revealed that 95 percent of those who thought the life was improved due to the informal work believed that they were able to support the household economically, 25 percent said their working capital has increased from time to time and 23 percent claimed their monthly income increased substantially.

4.2.19 Benefit of being an informal sector operator

This pie chart below shows that respondents' opinion regarding the benefit of being an informal sector operator.

Figure 4.16: Benefit of being an informal sector operator from the sampled respondents



Source: Own Survey Result (March 2017)

Figure 4.16 depicts that about 72.4 percent of the respondents said that the benefit of being an informal sector operator is that informal sector serve as a bridge to escape poverty, 10 percent of the respondents said not pay tax is advantage and the remaining 7, 6 and 5 percent said free to operate, no cost involved for registration and boss of yourself respectively. This shows that the informal sector helps those women who lived with poverty.

In light of this finding, a study by (Elias, 2015) also assures this finding. The informal sectors are becoming the major source of livelihood for many people in both urban and rural areas of Ethiopia. This sector provides livelihood for huge population mainly to the poor and other impoverished groups of the society. Involvement in informal sector work/business is a livelihood strategy that participants pursue to survive and alleviate poverty in urban centers.

In addition, about 16 percent of the respondents replied the benefit they got from being an informal sector operator is not paying tax and no cost involved for registration and this finding is consistent with the voluntarist school of thought. This school of thought argues that informal

entrepreneurs (operators) deliberately seek to avoid regulations and taxation but, unlike the legalist school, does not blame the cumbersome registration procedures.

4.2.20 Informal sector operator's suggestion to the government and policy makers

The respondents were also asked an open-ended question to give their own comment regarding the decision of the government to the members of the informal sector operator or street vendor.

The general comment of the informal sector operators is;

The government should consider a lot of things before taking a measurement on us. if we got another opportunity to get better livelihood income, no one would have sat here always; because the time we spent and the profit we get is unmatched. Therefore, the government should create a favorable work environment like providing appropriate working place, providing credit facility, etc. if the government can do this, the benefit will be for both of us.

4.3 Results of Binary Logistic Regression Analysis

Once the data has revealed that the livelihood of the women in the informal sector was improved; in order to see which women show significant improvement in their livelihood, binary logistic regression was employed. Table 24 revealed that the odds of improvement in livelihood significantly changes with a change in the number of dependents at home, place of birth, start-up capital, and number of years stayed in current work, and profit per-day.

However, the odds of improvement in livelihood doesn't significantly change with changes in age, education level, marital status, place of birth, having other job, saving status, and linkage with formal sector.

4.3.1 Assessment of Goodness of fit of the model

Based on table 4.22, the null hypothesis that there is no difference between the model with only a constant and the model with independent variables was rejected. And based on table 4.23, we do not have an evidence to reject the null hypothesis that the model fitted the data well. Therefore based on the two tests, the model fits the data well.

	Chi-square	df	Sig.
Step	45.002	13	.000
Block	45.002	13	.000
Model	45.002	13	.000

Chi-square	df	Sig.
12.671	7	.081

4.3.2 Interpretation of Logistic Regression Coefficients

Migrant operators have less odds (OR = 0.336) of livelihood improvement compared with those operators who are native to the city. This may be because of migrants move to the city either by their attraction by the city which is one factor for migration or their assumption that in the city everything is comfortable and they need immediate improvement without considering the challenges they face. However, most of the times they are confronted with different challenges while struggling to adjust themselves with the city life style. Accordingly, those native operators may have better livelihood improvement opportunity because they may have access to information to the market, they can communicate easily, and they also can get credit facility and other opportunities. This may help the business to grow and to generate high profit and this helps to improve the livelihood.

The odds of improvement in livelihood significantly increases as profit per-day increases (OR=3.16). This implies that operators who can generate higher profit per day have better livelihood improvement and it's clear that improvement in livelihood is associated with more profit generating capacity.

Table 4.24: Logistic Regression result of livelihood improvement of women in the informal sector

	B	S.E.	Wald	df	Sig.	Exp(B)
Age	-.895	.613	2.129	1	.145	.409
Education Level	1.264	.879	2.067	1	.150	3.538
Marital Status (Single ref.cat)			.881	3	.830	
Married	.214	1.663	.017	1	.898	1.238
Divorced	.582	1.929	.091	1	.763	1.789
Widowed	1.379	2.009	.471	1	.493	3.970
No of Dependents at home	-.175	.085	4.261	1	.039	.840
Place of Birth (Addis Abeba ref.cat)						
Outside of Addis Abeba	-1.092	.430	6.440	1	.011	.336
Having other Job (Yes ref.cat)						
No	-19.303	81.67	.056	1	.998	.000
Saving status (Yes ref.cat)						
No	.089	.996	.008	1	.929	1.093
Start-up Capital	2.007	1.008	3.964	1	.047	7.441
Linkage with formal sector (Yes ref.cat)						
No	-.798	.859	.862	1	.353	.450
No of years stayed in current work	.750	.375	3.991	1	.046	2.117
Profit Per Day	1.152	.336	11.718	1	.001	3.164
Constant	-.921	8543.21	.000	1	1.000	.398

Source; Own Survey Result (March, 2017)

The odds of improvement in livelihood significantly decreases as number of dependents at home increases (OR = 0.840). This tells us when dependents in the household decrease the cost of living will be small and the livelihood earning income is enough in the household and vice versa is true.

The odd of attaining better livelihood improvement is also determined by start-up capital of the respondents. Operator whose start-up capital was higher has shown more likelihood (OR = 7.44) in livelihood improvement than those operators with a little start-up capital. This tells us improvement in livelihood is dependent with increase in start-up capital. This may be because operators whose start-up capital is higher can bring different kinds of good to the market and they generate considerable benefit from each item unlike those start-up capital is small.

The finding also depicts that, the longer the operators stayed in the business, the better chance of improvement in the livelihood (OR = 2.12) as compared with the operators who stayed short period of time. The implication of this result is better improvement in livelihood is associated with longer stay in the business. This may be because of the operators develop business skills, they are familiarized with the business environment (they can easily identify what measure enhance profit or loss) and they are well aware about the business. This will help to generate more profit and which helps to improve the livelihood.

4.4 Presentation and Analysis of Data Collected from Government Officials and NGO

4.4.1 General overview of the informal sector in Addis Ababa City Administration

Almost all of the government officials and the NGO representatives that are familiar with ‘the informal sector’- explained that there is a large number of people who are engaged in the informal sector activities in Ethiopia in general and in Addis Ababa City Administration in particular. The term ‘informal sector’ has different names in different Government Bureaus and in the NGO platforms. In *Amharic* (the official language of Ethiopia), most of the interviewees call the informal sector as “*ተ-መደበኛ የንግድ ስርዓት ፣ ህገወጥ ንግድ፣የጎዳና-ላይ ንግድ በመባል ይታወቃል*”....etc. These Amharic terms are translated as ‘informal trading system’, ‘illegal trade activity’ and ‘street based vending’ respectively.

As a working definition, in this thesis, Ethiopia's Central Statistics Agency (CSA) definition is used to identify whether the enterprise is informal sector enterprise or not. Accordingly, the enterprise/business is 'informal' if it does not possess a license, and full written book of accounts that show monthly income statement and balance sheet (CSA, 2011). All government officials agreed with this definition provided by CSA. In addition to this definition, the 'informal sector' in Addis Ababa has other common characteristics like a business that operate without government regulation, or that it is not registered, it does not have specific trading place and address and does not pay tax to the government.

Government officials and NGO workers explained that the numbers of people who are participating in the informal sector are increasing from time to time because of the following two reasons. One is rural-urban migration, the concepts of the 'rural push' and 'the urban pool' comes in to operation- Most of the time the people who migrate from the rural to the urban area are women and youth and these people are low skilled workers and have limited or no education. Job opportunity in their own area is very low; access to education especially for women is low.

In addition, the family size in rural households is high average of 5.1 households (ERSS, 2013). Whereas land is small. The limited farmland cannot engage the extra labor in farm production. This results in poverty and with time living in the same situation; the problems are compounded leading to the deeping of poverty at the household level affecting more women and the youth. These factors aggravate the problems of engaging in production, livelihood and survival and create a push factor to migrate from the rural to the urban area across all ages and sexes, particularly the youth and women. After they enter the urban area, the livelihood choice will be the informal sector which requires low capital, does not need license, free entry and exit to the business, it require less or no competition and it is engaging in small trade for self-employment and survival. Scholarly studies (Young, 1993), (Sen, 1999), (Kabeer, 2005) and (Chant, 2007) show that rural poverty shapes engagements of individuals' life, on the one hand, and determine their participation in the labor market and the economy, the formal economy, on the other hand. So, the informal sector often serves as a way out of poverty for the poor with no or little formal education and/or those that are excluded from the formal sector economic activities.

4.4.2 The informal sector as a source of job creation and income generation

The informal sector covers a wide range of activities. Some activities include in this study are selling fruits and vegetables, clothes and shoes, food and non-food processing and sale etc. and this activity holds a range of people. This means it has an important role in urban poverty alleviation through providing employment opportunity and generating income for those poor who live in the city. It also offers livelihood option for the poor who migrate from the rural area especially for women and youth groups of the society.

Government officials and NGO directors explained that the informal sector has tremendous advantages in terms of social, economic and political direction.

4.4.2.1 In terms of social

The informal sector has an advantage for those people who live in poverty and for those people who are excluded from formal market by providing goods and services at low cost. This finding is corroborating with (ILO, 1972). The informal sector provides employment more over necessary goods and services for the lower income groups. It provides a range of products and services that can be used by all classes of consumers, especially by the low income groups. In most of the products and services offered by the sector, there is a discount rate of 25-50% in price when compared to the prices of goods and services provided by formal businesses in the cities. In addition informants in this study indicated that the informal sector is accessible to all sections of the society. These aspects make the informal sector as pro-poor in terms of access and engagement and an important concern of government policy support and academic understanding for better informing the policy support.

4.4.2.2 In terms of Economy

The sector has a potential to become a fertile ground for new entrepreneurs, and absorb the labor force that is left out of the formal economy. The following points demonstrate the potential of the informal sector from economic point of view.

- i. These people create their own work; this means through time they can develop entrepreneurship skill/Business skill. The informal sector provides the economy with a

dynamic and entrepreneurial spirit, which in turn can lead to more competition, innovation, higher efficiency and increased investment (Schneider and Klingmair, 2004).

- ii. They develop work habit and this will reduce the dependency ratio of the country.
- iii. The informal sectors bring out a lot of people from extreme poverty by providing employment and livelihood income for themselves and the people who are dependent on them.
- iv. The economic share of women in the employment opportunity is becoming more or less progressive.
- v. The number of people engaged in the informal sector has increased at an alarming rate because of high rate of rural-urban migration and the absorption capacity of the formal sector is unfortunately very low. This shows us the informal sector serves as an umbrella for those who are unemployed and exclude from formal sector.
- vi. Generally, they express the informal sector is becoming an a stepping stone to formal sector and they think that if the government stretch the system to regulate it will provide a significant contribution to the urban economy in one side and to those people who are engaged in this sector.

In light of the above finding the literature in the informal sector also supports this finding. The positive results of the informal economy are that:- it increases income and increases self-confidence, improves skills, expand work experience, develops the habit of work, leads to minimize cost of product, sustain economic activity, provides employment, offers flexible working hours and conditions, has reduced barriers to entry, promotes entrepreneurial spirit, supports the formal economy ([http://www.wikipreneurship.eu/index.php5?title=Informal economy](http://www.wikipreneurship.eu/index.php5?title=Informal%20economy)).

4.4.2.3 In terms of politics

The sector contributes a lot in reducing urban crime and violence that could emanate from idle labor and growing number of the poor in the cities.

Besides this, because of the availability of this sector the government consciousness increased because this sector holds huge number of people especially youth and women. This shows that the government must work in this sector by creating conducive work environment for those

who are involved in this sector and it also shows that the existence of high number of people who need job.

The above three roles of the informal sector are consistent with the literature on the informal sector. Informal sector can have a positive role in peoples' lives, keeping them from poverty, and the development of confidence and skills, and building social capital. The sector plays important role of income distribution, make active competition, exploit market functions, improve productivity and technical change and finally creates economic development([http://www.ilo.org/global/topics/employment-promotion/informal-economy/lang--en/index.htm](http://www.ilo.org/global/topics/employment-promotion/informal-economy/lang-en/index.htm)).

The above points demonstrate that the potential of the informal sector for poverty reduction at individual level, and empowerment of the poor is immense. However, the sector and people involved in it are not without problems. The following section discusses these challenges.

4.5 Major Challenges of the Informal sector Business for Addis Ababa City Administration

There are challenges for informal sector businesses for Addis Ababa City Administration. The subsequent sections present the challenges for the two categories of sectors in the city.

4.5.1 Major challenges for formal business in Addis Ababa City Administration

Some of government departments explained that the informal sector has a negative element to formal sector businesses. This is because the economic direction affects the sectors differently in terms of competition (among businesses and the overall free market economic system in place).

The informal sector competes with those businesses and people involved in the formal sector. The formal sector sells goods and services with consideration of government tax, rent for shop etc but in contrary to this those who involve in the informal sector are using public land to sell their own goods and services. In this sense the effect will be it reduces the government revenue. This finding is corroborating with (Loayza,1996).It argued that informality impedes development/ investment and growth. This is because businesses that operate outside the tax and regulatory net have a hard time accessing credit, limiting the scale of their operations and exploitation of investment opportunities.

In addition, most of government officials agree that managing the informal sector is a difficult thing because these traders have no permanent place of work. Many small businesses are unwillingness to register and pay tax because their income is meager. In addition they also point out that the government bureaucracy to get trade license is very difficult and the legal business environment is not attractive to bring people who are involved in the informal sector. This finding corroborates with the neo-liberal perspective, they argue that the government's over regulation of the market is the cause of the informal economy. Responding to the lack of free market space, participants in the informal economy carve out this space on their own, by choice. A related theory to this approach suggests that the regulations are too complex and difficult to understand, thus creating unnecessary roadblocks to participation in the formal economy (Williams, 2012).

In addition, even if they come to a formal business environment the government is unable to provide a market area or the place or the area provided by the government is not accessible to the customer.

Finally, many government officials stated that, even if, the informal sector has a negative impact on small trading and formal business sector, if the governments stretch the system to manage these sectors it will create a special opportunity to the country in terms of absorption of surplus labor, (reduce unemployment rate) especially for youth and women. They also emphasized the capacity of the sector to, reduction of poverty and potentially increasing government revenue.

4.5.2 Major Challenges of the informal sector in the Addis Ababa City Administration

In Addis Ababa City Administration the informal sector is proliferating from time to time. Government official's representative pointed out that the proliferation of the informal sector will have negative effect on the country market system, revenue base of the country, private sector investment, and on the overall economic transformation of the country. The above finding is supported by (Loayza, 1996).The informal economic activity undermines the ability of governments to raise revenue and therefore denies the public sector resources that would otherwise play a complementary role to private investment through infrastructural development or facilitation of business environment. These linkages imply that the informal sector negatively affects the development process.

In addition, the interviewees explained that in Addis Ababa City Administration the informal sector operators exist on the main square, on the sidewalks, on the cultural areas, in the main gates and exits of different organizations etc. This will affect the traffic inflow of the city and it affects people's movement and this will create high influence on traffic flow. On the other side, the proliferation of the informal sector affects the country's image in terms of sanitation or the byproducts like plastics on the road sides and the roads.

But the NGO representatives mentioned that it's difficult to say the informal sector has a challenge for the city administration. Because the problems mentioned are not difficult to solve if they get government concern and emphasis.

In addition, these NGOs argue that the importance of the sector is not comparable with the negative effect. Firstly this sector has a stepping stone to the formal sector and the sector captures the productive section of the society. This sector reduces unemployment rate, the income gap of the citizens and poverty level.

4.6 Policy Objectives set by the City Government of Addis Ababa

At country level to navigate the informal sector by policy the country develops a policy but not implemented. The main aim of the policy is to transform the informal sector into formal business by registering the informal sector operators to control them in one side and to benefit those who involve in this sector by providing market linkage and information, loans services and by providing appropriate market place to those who sell their products on the street. The target of the policy and the objectives are to:

- A) Benefit 75 percent of women and youth traders in the informal sector in collaboration with different stakeholders;
- B) Create conducive work environment to the informal sector operators in the city.

In addition to these policy objectives, there is also a women development package developed by the City Government of Addis Ababa Women and Children Affairs Bureau. The main aim of this development package is to empower those women who are involved in the informal sector. This department works in collaboration with small and medium enterprise agency and NGOs, like Care Ethiopia and Mothers and Children Multi-sectoral Development Organization. The main aim of

these organizations are to provide special privilege to women who are live or trade on the street and women who are economically very poor and to capacitate women trader in the informal sector and to create possible opportunities to provide a market place and loans with and without interest. These actors identify target women and give different kinds of training based on the kind of business the identified women want to work or engaged. After they develop the business skill, the target women start to work in the informal sector, stakeholders work with these groups of women until they build their own economic capacity and knowledge on the management of the business. After they build their economic and business skill capacity, the businesses they are engaging in are registered as formal sector businesses. This is implemented with collaboration with small and medium enterprises agency. The SMEs agency facilitates working area and loan services. The main aims of these organizations are to enhance women's empowerment by benefitting those women excluded from formal sector business activities. It does this by creating possible opportunity to capacitate and to strengthen the economic capacity and to be able to develop capacities of women in administering themselves and have control over their own income.

4.7 Why more women are involved in the informal sector than men?

Women are over-represented in the informal sector worldwide. This basic fact has several dimensions. Firstly, the informal sector is the primary source of employment for women in most developing countries. Existing data suggest that the majority of economically active women in developing countries are engaged in the informal sector (Martha C, undated). In Ethiopia, According to the (CSA,2016) survey result, at urban country level, a total of 1,657,880 people were engaged in the informal sector, making up 26.5 percent of total employment. And a higher proportion of women were engaged in the informal sector at the national level in the urban area.

All government officials and NGO interviewed explained that there is high involvement of women in the informal sector than men. The reasons, according to the interview results, for the high involvement of women in the informal sector than men are that;

- i. Limited opportunity in access to education: most of women in the informal sector operators are migrants from rural areas. These women are not educated because of lack of opportunity to get education in the rural area as well as family preference in sending boys

than girls to schools. Girls who escape early marriage and related challenges in rural locations migrate to urban areas in search for better life and work. However end up in becoming house maids or daily laborer or informal sector traders.

- ii. Early marriage; most women are affected by early marriage arrangements often organized by families. Women who refuse these arrangements migrate to cities and have high chance to involve in the informal sector.
- iii. Domestic chores and provision work burden; girls have family responsibilities for household provision and have time constraint for the personal preferences. The time poverty, which gender scholars also term as double-day burden (Young, 1993), (Kabeer, 1996), (Chant, 2003). As inflicting life-time obstacle for girls' preparedness to the labor market. Because of this, unprepared women end up in operating in the informal sector both as way out to their exclusion from the formal labor market and economy and in support of family provision incomes. This also shapes the perpetuating trend of women poverty and their families as distinct from male counterpart in the society.
- iv. Cultural attitude-most of the people believe that selling different products in the market place is considered as women's job.

The interplay of these social, cultural and economic factors pushes women on the margins of their families and society. Therefore they should also be seen as a reason why informal sector operators are largely women.

4.8 Interventions of the City Administration

The city of Addis Ababa has targeted plan to transform the informal sector business firms to formal business by facilitating the registration processes, finance and operating premises. The city administration especially focused on small women traders (informal sector operators) as a starter. As far there is a continuation of rural-urban migration, specifically to Addis Ababa, as main city absorbing various categories of migrants from across the country, the issues of informal sector enterprises are policy concerns. By considering this, the city government planning to reduce the number of people involved in this sector and benefit people in the informal sector from formalizing the businesses. Within five years transformation plan of the city, the main agenda of the government was to transform the informal sector to formal business

enterprises-the focus of this plan are youth and women in the informal sector. To achieve this objective, the government and other stakeholders are working in coordination.

The city administration has planned to formalize the informal sector businesses. The reasons behind formalization are related to congestion of roads, incidence of accidents and the sanitation problems related to the perishable goods they exchange in the untidy road sides. Besides the sanitation problem to human health, the byproducts are environmental wastes and affect the overall sanitation of the urban habitable places (residential quarters).

The broader goals of the formalization of the informal businesses is related to the government goals of creating a working free market system at one hand, and benefiting the informal sector operators which are women and youth on the other hand by providing different opportunities for women and youth, often excluded from the formal labor market, the government is supporting to institute redistributive justice as well as aims at raising the government revenue which will benefit the citizens as a whole and the market system the government envisages to institute.

The city administration has a special aim in terms of promoting women involved in the informal sector. This is because they believe that women are the main actors in the informal economy. If these actors are properly mobilized, as being half of the Ethiopian labor market force, the springboard for family make up and the shaping of communities in the country (having triple rides of productive, reproductive and generation shaping), women traders can be capacitated by getting proper support from the government and concerned stakeholders. By such support women can bring change to their own agency, family life and for the present and future generation in their communities. This together will create a positive impact on the country's economy.

In addition to formalizing the sector, the government also works on rural development with the objective of containing rural-urban migration. The government is also working to reduce overall unemployment by creating decent jobs (both in urban and rural areas of the country). The job creation efforts and the rural development endeavors together are assumed to reduce the unemployment rate in the country (make the citizens productive) and contain migration (especially uncontrolled ones).

CHAPTER FIVE: SUMMARY OF THE FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

This is the last chapter of this study. It presents summary of the major findings, conclusions and workable recommendations that are drawn from the findings of the research.

5.1 Summary of the findings

Women, who are economically active, are engaging in the informal sector and this show that they are highly motivated to survive and to escape from poverty. Low level of education and being an informal sector operator has direct relationship or high engagement in the informal sector is associated with educational level.

The informal sector operators often work longer hours; this implies that the business requires high time investment to get considerable benefit.

The odds of improvement in livelihood significantly changes with a change in the number of dependents at home, place of birth, start-up capital, and number of years stayed in current work, and profit per-day. However, the odds of improvement in livelihood doesn't significantly change with changes in age, education level, marital status, place of birth, having other job, saving status, and linkage with formal sector.

The informal sector provides employment more over necessary goods and services for the lower income groups. It provides a range of products and services that can be used by all classes of consumers, especially by the low income groups.

The informal sector has a potential to become a fertile ground for new entrepreneurs, and absorb the labor force that is left out of the formal economy and the sector contributes a lot in reducing urban crime and violence that could emanate from idle labor and growing number of the poor in the cities.

Some of government departments explained that the informal sector has a negative element to formal sector businesses. This is because the economic direction affects the sectors differently in terms of competition (among businesses and the overall free market economic system in place).

At country level to navigate the informal sector by policy the country develops a policy but not implemented. The main aim of the policy is to transform the informal sector in to formal business by registering the informal sector operators to control them in one side and to benefit those who involve in this sector by providing market linkage and information, loans services and by providing appropriate market place to those who sell their products on the street.

All government officials and NGO interviewed explained that there is high involvement of women in the informal sector than men. The reasons, according to the interview results, for the high involvement of women in the informal sector than men are that; limited opportunity in access to education, early marriage, domestic chores and provision work burden, cultural attitude.

The city government of Addis Ababa has targeted plan to transform the informal sector business firms to formal business by facilitating the registration processes, finance and operating premises.

5.2 Conclusions of the Study

The objective of this study was to explore the role of women in the informal sector measured on the elements of economic development; (-job creation, income generation, poverty reduction and household support).

The informal sector has an important contribution for urban poverty alleviation through creating jobs and reducing unemployment for those poor who lives in the city and for those who are migrated from the rural area especially for women and youth section of the society and this will help them to generate livelihood income.

Most of the informal sector operators involved in this business is because it is the only source of livelihood income and the income of those involved in the informal sector has increased after joining the informal sector. Moreover, the conditions of life for many of them have improved in a better way because they can support themselves and their family members economically.

Being poor and an informal sector operator are positively correlated. The informal sector serves as a bridge to escape poverty for most women who are poor. The informal business activities are

closely linked to inadequate income maintenance or income generating activities and such economy consists of sets of survival activities performed by destitute people on the migrants of the society.

The future plans of most of the informal sector operators are to expand and transform the business in to formal business environment. This shows that the sector is a stepping stone to transform in to the formal business environment and the informal sector helps for those women either to survive on one hand and to transform (growth) the business in to formal sector on the other hand.

The numbers of people who are participating in the informal sector are increasing from time to time because of rural-urban migration and the absorption capacity of the formal sector is very low. Most of women migrate from the rural area to search a job and they found themselves in the informal sector.

Managing the informal sector is a difficult thing to the City Administration of Addis Ababa because these traders have no permanent place, unwillingness to register and cumbersome government bureaucracy to get trade license and the legal business environment is not attractive to bring peoples who are involved in the informal sector.

At the country level to navigate the informal sector by policy different stakeholders working together and the aim of this policy is to create conducive working environment by providing accessible working area, loan services, by creating market linkage and information then transform the business in to formal sector by facilitating the registration processes, financing and operating premises.

The involvement of women in the informal sector is high because of limited opportunity to education for women, early marriage, work burden and cultural attitudes. And the number of women involved in the informal sector increase when they are married because family size may increase after marriage.

The informal sector operators face a number of challenges: first, when they start the business; second, during the operation of the business which will limit the potential for the growth and productivity of the sector. Some of the major challenges they face when they start the business

are lack of start-up capital, lack of space, lack of encouraging government policy etc. and some of the challenges during the operation of the businesses are like code enforcement police, shortage of working capital, no access for credit facilities, and lack of increasing demand for the items for sale.

5.3 Recommendations

Based on the empirical findings this study has forwarded the following recommendations that the concerned bodies and policy makers should pay attentions to.

In Addis Ababa City Administration the involvement of women in the informal sector is directly linked to the alarming rate of migration from rural to urban areas. So in order to control this government should work on local development to create alternative job opportunity in their own locality.

The research findings show that the informal sector provides a lot of contribution to the impoverished section of the society by providing job and to generate income. Therefore, the government, at both the local and national levels, should help the informal sector operators by creating more favorable environment for trade, and improved access to market, providing credit facilities, and information on organizing and running small business for women and men.

The government at both federal and local level should work together in order to organize and formalize the informal sector business in to formal business environment.

Shortage of working capital, working place and the code enforcement police are the major challenges of the informal sector operators. The Addis Ababa City Administration in collaboration with other concerned stakeholders (NGO, etc.) shall provide solution to solve the challenges faced by women economic operators in the informal sector.

The concerned bodies in Addis Ababa City Administration and those in the Federal Government should give attention to organize the informal sector in a much more planned and calculated manner in order to generate more employment, to secure reasonable livelihood, to use it as a tool for poverty reduction for the low-income members of the society (the less educated and the youth). Finally, this is the time to openly acknowledge and develop an economic approach that

would recognize the value of the informal sector which in the end will add to the GDP and to the overall national economic development.

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APPENDIX-A

Addis Ababa University

School of Graduate Studies

College of Business and Economics

Department of Public Administration and Development Management

Masters in Public Management and Policy

Questionnaire to be Filled out by Women Traders in the Informal Sector

Dear Respondent,

I am Yodit Abebe, a Master's Degree student of Public Management and Policy at Addis Ababa University, in the Department of Public Administration and Development Management. Currently, I am undertaking a research entitled: "The Role of the Informal Economy in Economic Development; A Case Study of Women Traders in Kolfe Keraniyo & Yeka Sub Cities in Addis Ababa City Administration, - Ethiopia". You are one of the accredited respondents selected to participate for this study. I understand that your time is valuable; and the successful accomplishment of this study depends on your honest response, kindness and cooperation-, by filling out the questionnaire.

Therefore, I kindly request you to answer the questions in this questionnaire.

Your – participation- in - this - study is on voluntary basis; and I assure you that-, all information that you provide and the results will be recorded anonymously, and confidentiality is maintained. The result of this research will be used for academic purpose.

Section 1: Respondent Background

1. What is your Age?

- A. below 14 B. 15-24 C.25-54 D.55-64 E.65 years and above.

2. Educational level:

- A. No Schooling B. Primary Education C. Secondary Education D. Higher Education

3. Marital Status:

- A. Single B. Married C. Divorced D. Widowed

4. Do you have children?

- A. Yes B. No

5. How many dependents do you have in your household?

- A.1-2 B.3-4 C.5-6 D.7-8

6. Where is your Place of birth?

- A. In Addis Abeba B. Outside of Addis Abeba

7. Why did you come to this city?

- A. To search a Job B. To live with my Relatives C. Attraction of the city
D. Because of Marriage

Section 2: Questions on Business Activity

8. What were you doing before starting this business?

- A. Employed B. Unemployed

9. Why do you operate in the informal sector? /Multiple answer is possible/

- A. It is the only source of income/to be self employed
B. To avoid taxation and registration fee / the business is free of government formalities
C. It is highly profitable
D. Has not fulfilled minimum requirements for registration to operate in formal sector.
E. The capital is small which I able to invest

10. Why are you located at this site?

- A. The market is near to customer or market B. I pay no rent on the space I use
C. Because of the availability of more customers in the market.
D. There are no other appropriate sites
E To escape harassment from Government and private shop guards
F Other reasons (Specify): _____

11. What was the source of the Business start-up capital?
- A. Own saving
 - B. Assistance from Government or NGOs / Micro finance institutions
 - C. Borrowing from friends or relatives
 - D. Borrowing from money lenders
 - E. Assistance from friends or relatives
 - F. Others (specify) _____.
12. Do you do other jobs to supplement your income?
- A. Yes
 - B. No
13. If your answer for Q No 12 is “Yes”, why?
- A. To supplement my small income and support my family
 - B. To make use of my spare time
 - C. I enjoy engaging in multiple income generating activities
 - D. Due to my strong conviction to escape from poverty
 - E. Others (Specify) _____
14. Did you save from your monthly income?
- A. Yes
 - B. No
15. If your answer is “Yes” for Q No 14, how much?
- A. 100-300
 - B. 400-600
 - C. 700-1000
 - D. More than 1000
16. What is your reason to involve in the informal sector?
- A. Searching for better income/Employing oneself/Self employment and Securing Livelihood independence and self sustenance.
 - B. Heavy burden of taxes from your old business
 - C. Government bureaucracy to get trade license
 - D. Because of Divorced
 - E. Because of Widowed
 - F. Other reasons
17. Your start-up capital

- A. less than 300 B. 300-500 C. 600-900 D. More than 1000

18. Do you register your daily and monthly income?

- A. Yes B. No

19. If your answer is yes for Q No 18 How much was your monthly income last month.

- A. less than 500 B. 500 -1000 C. 1000-1500 D. 1600-2000 E. 2001-2500
F. 2600-3000 G. More than 3000

20. Do you have any linkage with the formal business operation?

- A. Yes B. No

21. If your answer is yes for Q No 20, what was your linkage? Specify

22. What Kind of good do you sell?

- A. Food and Drinks/to be consumed/
B. Non Food/textile, cosmetics/ C. Both

23. To whom do you mostly sale your commodities?

- A. For Poor Members of the community B. For rich members of the community
C. For both (A&B) D. Others (specify) _____

24. What were the serious difficulties you faced when you started your work/business?

Multiple answers are possible.

- A. Lack of start-up capital/Seed money B. Lack of space
C. Inadequate skill or Lack of experience
D. Lack of encouraging government policy
E. Lack of Demand
F. Competition G. Police harassment
H. Others (specify) _____

25. What were the serious difficulties you faced after you started this business? /Multiple answer is possible /

- A. Shortage of working capital B. Harassment from Government police
C. Code Enforcement police D. Social obligations

- E. No access to credit
- F. Family responsibility G. Lack of demand
- H. Other (specifies) -----

26. What is your next plan?

- A. Continue with the same operation B. Shift to formal sector
- C. Other. (Specify) _____ D. if your answer is A, why?

Section 3: Participant's Responsibility

27. Do you have your own house?

- A. Yes B. No

28. If your answer is "NO" for Q No 27, where do you live?

- A. With my parents B. With my relatives C. With my friends ("Debal")
- D. Rented Kebele House E. Rented Private House
- E. Others (Specify) _____

29. Do you have to pay any rent or contribute to the payment of rent where you are living?

- A. Yes B. No

30. If your answer is "yes" for Q No 29, how much do you pay per month?

- A. less than 300 B. 400-600 C. 700-1000 D. More than 1000

31. How much money on average do you spend per month for food for yourself and for those you support in same household?

- A. 500 -1000 B. 1100-1500 C. 1600-2000 D. 2100-2500 E. 2600-3000
- F. More than 3000

32. How much money on average do you spend per month in order to meet other needs like school fees, social service and transport?

- A. 0 to 500 birr B. 600 to 1000 birr C. 1100 to 1500 birr
- D. 1600 to 2000 birr

33. How much money on average do you spend per month on health/medications/ for you and for those you support?

- A. 0 to 500 birr B. 600 to 1000 birr C. 1100 to 1500 birr
- D. 1600 to 2000 birr

34. How long have you been in your current work activity?

- A. 0-2years B. 3-5 years C. 6-8years D. Above 8 years

35. How many hours per day do you work?

- A. Half a day B. The whole day

36. How many days per week do you work?

- A. Three days or less B. 4 days a week C. 5 days a week
D. 6 days a week E. 7 days a week

37. Do you have other source of income?

- A. Yes B. No

38. Is your income is increased after joining the informal sector?

- A. Yes B. No

Section 4: Job creation

39. Do you have employees in your current work/business?

- A. Yes B. No

40. If your answer is “yes” for Q. No 39, how many workers?

- A. 1-2 B. 3-5 C.6-8 D. More than 8
F. Others (Specify) _____

41. How much money on average do you make per day?

- A. Less than 20 ETB B. 21-30 ETB C.31-40 ETB D.41-50 ETB
E. 51-60 ETB F.61-70 ETB G.71-80 ETB H.81-90 ETB I.91-100 ETB J. More than 100 ETB

42. Do you think that your current work/business activity improved and changed your Life in a better way?

- A. Yes B. No

43. If your answer is “Yes” for Q. No 42, how?

- A I support myself and people in the household economically,
B. My monthly income has increased substantially,
C. I was able to create jobs for others,
D. My working capital has increased from time to time,
E. Others (Specify) _____

44. Do you want to expand your work/business activity?

- A. Yes B. No

45. If your answer is “yes” for Q. No 44, what do you want to expand in your work/business activity? / Multiple answer are possible/

- A. Loan or credit facility
- B. Training
- C. A developed market place with facilities or a shop of your own
- D. A license
- E. Others specify_____

46. What is the benefit of being an informal sector trader/ operator?

- A. Not paying tax
- B. No cost involved for registration
- C. You are free to operate where you want
- D. You are a boss of yourself
- E. I can escape from extreme poverty.

47. What is your opinion about the decision of policy makers (the government) on members of the informal economy or a small traders or street vendors?

Thank You!!!

APPENDIX-B

Addis Ababa University

College of Business and Economics

Department of Public Administration and Development

Management

Masters in Public Management and Policy

Interview Questions for Government Officials

1. Do you agree that there is an informal sector in Addis Abeba City Administration (AACCA)? What do you call it; or the term you use to refer to the informal sector in the city administration and management (in Amharic)? Is it known and recognized in your administration, in your budget and in your planning? To be specific, what is its budget item for the author to follow up?
2. What are your general opinions on the informal sector in Addis Abeba Do you see them as positive elements or causing problems in the small trading and business sector? What are the contributions and the challenges in managing the informal sector in urban economic development?
3. Is there any policy; or do you have objectives that are set by the city administration to support the small women traders who are involved in the informal sector?
4. From what we observe in the dynamics of the urban economy, the informal sector has the capacity to create jobs and to generate income. How does the city administration evaluate the activities of the informal sector to create self-employed jobs and reduce unemployment?
5. What is your opinion on the role of the informal economy in urban economic development? Do you collect any revenue from the informal sector? Is the informal sector a challenge or an opportunity for the city administration? How?
6. In your opinion and in the practice of urban trade and business; why do we find more women involved in the informal sector than men?
7. Does the city administration have plans to organize and promote the informal sector to the formal sector/economy? If yes, for what reasons? What are the main challenges or obstacles in working with the informal sector, i.e. the small women traders in particular?

8. What is the future of the informal sector and small women traders, in particular, in the views and plans of the Addis Abeba City Administration in the Second Period of Transformation and Development of the country? Will they prosper or get dissolved?

9. Do you have any additional opinion you want to raise and register on the informal sector and the small women traders, in particular, in Addis Abeba City administration or the country in general?

I thank you very much for your cooperation to appear for this interview.

APPENDIX-C





