

## Heading Households and Heading Businesses: Women in the Urban Informal Sector in Southern Ethiopia

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### Abstract

*The study was aimed at assessing female labour force participation in the urban informal sector with a view to reflecting on their roles in heading households and heading businesses. The target groups were women entrepreneurs running informal sector businesses in two towns of Gedeo Zone<sup>i</sup> in SNNPR<sup>ii</sup>. Using a multi-stage sampling procedure relevant information was collected from owners of 150 (90 from Dilla town and 60 from Yirgacheffe town) informal sector premises. The methods used to obtain the data included household surveys, personal observations and book and document reviews.*

*The results of the study reveal that female -headed households are challenged by the dual role of heading households and heading businesses. Poor business premises, unstable and inadequate income, and other constraints related to access to credit facilities, equipment, market and inputs were observed.*

*The empirical analysis on the determinants of level of living and earnings identified some factors of policy relevance. Most of the variables are statistically significant. The study urges the need to develop strategies that empower women with regard to their economic rights, assigning a value to their productive roles and subsistence activities.*

**Key Words:** gender, informal sector participation, productive roles and household security

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## Introduction

### **Background and Problem Statement**

Women comprise half of the world's population, yet continue to have difficulty in securing formal sector employment especially in Sub-Saharan Africa. Globally, only slightly more than 50% of the gap between men and women on economic participation and opportunity has been closed.

In Ethiopia, female-to-male labour force participation is 0.79 but wage equality for similar work is 0.65 (Hausmann et al., 2006). In addition, between 1995 and 2004, the UNDP (2004) reports that in Ethiopia, women made up 59% of family workers who worked without pay in an economic enterprise operated by a relative living in the same household.

Booth and Protais (1999) point out that in Sub-Saharan Africa women concentrate in the lowest group in the urban economy, and indeed, the greatest concentration was in the minimum wage earner group. Thus, gender is a socio-cultural attribute, which in one way or another determines one's access to and control over resources. As such there is today in developing countries a greater awareness and understanding of endorsing gender issues in all human capital development plans.

There is ample evidence suggesting that the informal sector is numerically very significant in developing countries, and that contrary to earlier perceptions, it is not a one-time phenomenon. In developing countries, policy transformation is taking place with respect to women's participation in the labour market and in the fight against poverty.

Nevertheless, the World Bank (1992) has argued that yet in the urban areas women are the great invisible hands whose labour finds no place in national economic statistics. The condition of Ethiopian women is in line with World Bank's argument. Hence there is a need for an in-depth investigation of women's roles in the urban informal sector and in household economies with a view to examining critical factors which lead women to join the



informal sector, their socio-economic and migration characteristics, their access to inputs and the challenges they face.

Thus, the current study is geared to women informal sector participants in two towns of the Gedeo Zone in SNNPR with a view to addressing women's roles in heading households and heading businesses. The fact that little or no empirical research has been carried out in the area on such a crucial issue encompassing migration, informal sector participation and household security makes the study pertinent and timely. Further, the nexus among these attributes, which the study will try to establish, is expected to depict a clearer picture of women informal sector participants in the study areas in particular and Ethiopia in general.

### **Research Questions and Objectives**

The following research questions formed the basis for this research:

1. What is the socio-economic and migration status of women in the study areas, and what are their problems and constraints in running business and heading households?
2. How is the economic role of women assessed? Is income generated from informal businesses sufficient for household demand? What factors determine women's income and standard of living?
3. What are the policy options?

Given the general framework indicated above, the study objectives are to:

1. assess the nature of informal business premises with a view to capturing women's roles in running businesses and meeting household demands;
2. identify factors of wellbeing and income in the informal sector; and
3. suggest ways and means for empowering women informal sector participants.

### **Data sources and methodology**

The study is based on primary data generated through the administration of questionnaires and personal observations. The household surveys were carried out by randomly selecting female-headed households, which are engaged in informal sector businesses from two *kebeles* of the towns under study (see Table 1). One hundred fifty randomly chosen heads of households (20% of the population) completed the structured questionnaire. In choosing the participants of the study, multi-stage sampling technique was used. In the first stage, *kebeles* containing the target population were identified with the help of municipal and *kebele* officials. In the second stage, two *kebeles* (one from each town) were selected based on the proportion of informal sector participants. Finally, representative samples from owners of 150 (90 from Dilla town and 60 from Yirgacheffe town) informal sector premises were randomly selected and approached for interview.

**Table 1: Sampled population**

Name of town/ <i>kebele</i>	No. of household heads	Sampled household heads
Dilla/ <i>kebele</i> 03	446	90 (20.2)★
Yirgacheffe/ <i>kebele</i> 01	305	60 (19.7)
Total	751	150 (20.0)

★Numbers in parenthesis indicate per cent of sample population.

Source: Collected from the two *kebele* offices and headcounts by the researcher, 2005.

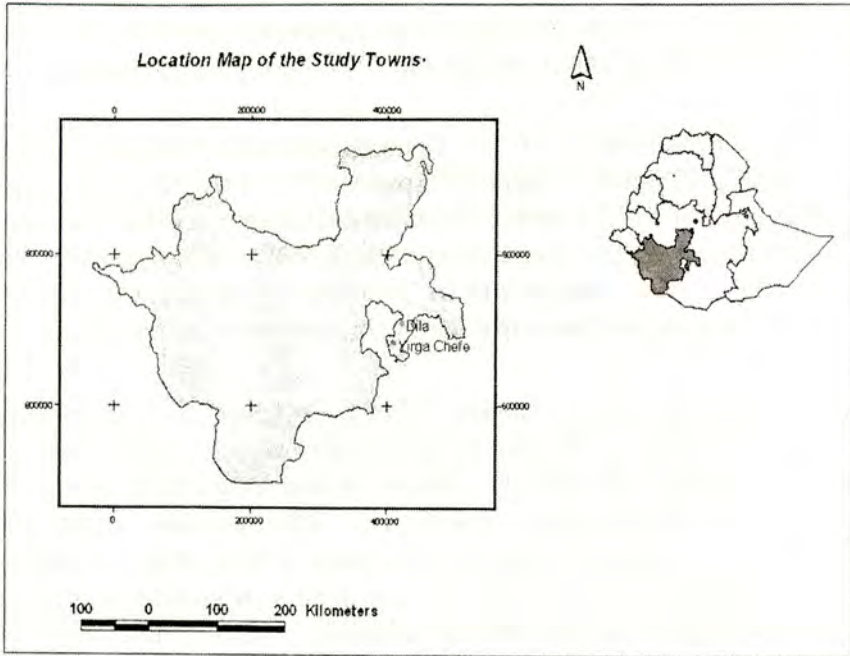


Secondary data were obtained from *kebele*/zonal offices and from published and unpublished documents. The study focuses on one zone and two towns (see Figure 1). The zone selected for this study was Gedeo Zone. Gedeo Zone was selected because it reveals high population pressure and well represents *enset*<sup>iii</sup> and cash crop (coffee and *chat*<sup>iv</sup>) growing *weredas*.

According to the estimation of the Central Statistics Authority (CSA) (2005), the total population of Gedeo Zone was 820,944 with an estimated population density of 617.53 people per square kilometer. Within the Zone, two towns were selected. These towns fulfil both administrative and economic criteria. The administrative criterion is that towns should represent both the status of municipal administration and smaller towns.

Similarly in order to gauge whether vibrant economy favour informal businesses, we need in our sample to have towns whose economy shows prosperity and growth. Accordingly, Dilla town and Yirgachefe town were selected from the region. Dilla enjoys city administration status and Yirgachefe ranks second in Gedeo Zone. Both towns reveal a vibrant economy and they have strong linkages with their surrounding and at the same time enjoy higher decision-making authority. The two *kebeles*, which have a large number of women informal sector participants, were identified with the help of municipal and *kebele* officials.

Figure 1: Location of Dilla and Yirga Chefe



Questionnaire results were coded and analyzed using the SPSS program. Moreover, interpretations of observed and perceived realities were also utilized. The quantitative analysis involved the use of multiple regressions.

## **Review of the Literature**

### **Gender and Development**

In the widespread literature on gender there remains a great deal of debate. The World Bank (1992) has argued that gender is a socio-cultural attribute, which is central to development policies. Most development policies are now geared towards an integrative approach to gender and development. Authors such as Appleton (1991), Imam et al. (1997) and Haddad and



Brown (1995) hold the view that the status of women cannot be discussed as a separate issue but rather women's needs need to be integrated in all development endeavours at all levels.

Over the past two decades, questions related to appreciating women's roles in economic and social development, and questions of equality between women and men have ignited rising concerns among policy formulators and development practitioners, since it has become a reality that access to and control over resources is determined by gender (Blackden and Bhanu 1998; World Bank, 1992; Manamwamba, 1999).

Paradoxically, despite impressive gains in gender awareness globally, there remain significant barriers to accessing well-documented data on women's roles in various dimensions of development such as in poverty reduction schemes. The Economic and Social Council (ECOSOC) of the United Nations (1999) has reported that in cases where there is recorded data on women's work and economic contribution, it fails to be comprehensive and is not sufficiently utilized as a reliable information source by development planners and decision makers.

Statistical information is vital to analyze women's position and constraints and to formulate appropriate policies and programs. This assertion was also shared by Dey who stated that absence of statistical information on women's roles in various sectors of development seriously restricts the ability of planners to define and qualify adequately women's constraints and potential in order to formulate appropriate policies and programmes. Furthermore, the absence of the necessary data permits certain mistaken stereotypes to perpetuate (Dey, 1984: 16-17).

### **Socio- cultural Factors and Emerging Trends**

Gender research has uncovered that demographic, political and socio-economic factors are related to gender roles. These attributes, according to Manamwambwa (1999), help to determine access to and control over resources, and related decisions. This implies that developing awareness on

gender roles especially of those of women has a paramount relevance to identify the constraints and opportunities for promoting their welfare and aspirations, including involvement in income- generating businesses.

Sarr (1999) has documented that feminist research carried out in Africa has identified socio- cultural norms and customs as the root causes which hinder rural women from having an effective voice in securing better livelihoods for their families. In most cases the society and parents attach a higher priority for advancement of males. Analysis of gender inequalities and socio- cultural dynamics has uncovered existing gender- based differences in schooling, income, literacy, health, share of income from labour, political voice and economic participation (Ibid).

From the foregoing discussion, it is evident that women are denied the right to survival mechanisms or the entitlements to basic needs. They are frequently classified as second-class citizens, dependent in terms of their rights upon their husbands or other male relatives.

In Ethiopia, one of the poorest countries in the world, the situation for women is not different. There are discriminatory customs and practices, which prevent women from having equal access and control over major productive resources. These harmful traditions exist in many different forms, but they share origins in the historically unequal social and economic relationships between men and women. Some studies (Addis et al., 1999; Dejene, 1994; and Alebachew, 2000) have identified female genital mutilations, early marriage, child bearing and gender bias as a serious threat to the health and well- being of females and their corresponding roles in development activities.

Nuri (1992) has reported that social and cultural attitudes are the major factors that relegated Ethiopian women to the status of second-class citizen in social, economic and political life. Some blame governments, which gave priority to the status quo preservation of power rather than more equitably serving the entire nation. As such, the policies formulated in most cases fail to address the economic, political and social realities of the nation. This in turn has resulted in an economic and social crisis with widespread disparity



in the distribution of wealth and living standards. Particularly vulnerable to these socio-economic issues are women, who are most often highly subjugated and who are the primary risk takers.

In general, invisibility is a bottleneck, which prevents women from enjoying their maximum potential. ECOSOC (1999); Nuri (1992); Dejene (1994); and Addis et al. (1999) hold the view that socio-cultural restrictions are responsible for women's invisible roles and their marginalized status in development ventures.

### **The Urban Informal Sector: Roles and Factors**

#### *Female Employment and the Informal Sector*

In cases where households encounter shortage of income or other resources, those household members who were not previously employed in any type of activity join the employment sector. Most often, these groups make their way into the informal sector to secure additional income for the household. To this end, women are usually the ones who join the informal sector. Bekele (1995) and Dejene (1994) both assert that women are better than men in the allocation of their income for household demand.

Various research related to migration in Ethiopia has identified some other causes for women to join the informal sector. These are mainly related to socio-cultural attributes such as marriage. Lakech (1978); Teklemariam (1979); Mesfin (1972); and Alebachew (2000) have shown strong linkages between migration and women's employment status in the urban labour market as determined by their marital status (i.e. whether they are divorced or separated before migration). The same sources have revealed that the informal sectors welcome women migrants. However, in most cases these young migrant women who are twelve and twenty years of age join the lower stratum of the sector, which includes prostitution, petty-trading, and house cleaning.

There are considerable bottlenecks which prevent women from accessing gainful employment. Urban research by Alebachew 2000; Andargachew, 1989; Yewalashet, 2002; and Lubaba, 2001 identified a range of socio-economic and psychological problems such as unpleasant and irritating living and working environments, cultural variations, mental stress and poor health in addition to low income and degrading work conditions which all resulted in limited life opportunities in the urban job lottery.

In summary, the informal sector has served as a safety net for the community of the poor who are predominantly women. The fact that the informal sector by its very nature is neither capital intensive nor requiring skills acquired in formal education means women adhere more to this sector than to the formal sector.

### *Income Generation*

The fact that the sector remains to be a dependable income source for 30 to 35 per cent of the urban labour force of the developing world makes its contribution to the national income an undeniable fact (Habitat, 1986:10). Among the socio-economic factors, level of education, experience/skill, size of the firm, availability of capital, access to subcontracts, number of operating hours per day, amount of loan ever received are positively correlated to income of the business firm (House, 1984;1987).

However, several studies revealed that among the human capital variables, education and experience of the proprietor and among the socio-economic variables, size of the firm and availability of capital to be highly significant (see for instance, House, 1984; 1987).

A number of factors which affect employee's earnings, can be mentioned as well. Telles (1993) noted that earnings of employees vary in accordance with workers' characteristics, which include among other things education, experience, marital status and ethnicity or race.

Similarly, House (1984; 1987) in his Nairobi and Juba informal sector studies reported that factors which can be incorporated into human capital



variables such as educational status, age and experience of the employee were found to be positively related to worker's income. He also underlined the significant effect of the following variables on worker's earnings.

### *Women, Migration and the Urban Informal Sector*

Models of rural-urban migration and the urban labour market have strongly emphasized the existing inter-link between the phenomena of migration (especially women migration) and informality. Studies conducted in Ethiopia (Mesfin, 1972; Teklemariam, 1976; Lakech, 1978; Alebachew, 2000) have indicated that women migrants are more inclined to join the informal sector, than to get enrolled in the formal sector.

However, there is a debate among scholars concerning the implication of the migration process on urban labour markets. According to some scholars (Racyznski, 1972; Berkoh, 1974; Safa, 1976) migrants do not become fully integrated into urban life at the earliest but rather look for less rewarding jobs or remain unemployed for longer durations than non-migrants. Contrary to the assumptions of these scholars, there are others (Standing, 1978; Oberai, 1984; Fleurent, 1990) who held the view that, other things remaining the same, migrants are more likely to participate in the urban labour market more often than non-migrants.

There are various causes for women to migrate into urban areas. The worsening living and working conditions of women in the countryside including their restricted access to land, the instability of marriage, unfavourable cultural beliefs and other socio-cultural practices were the major factors of urban-ward migration for most females in Ethiopia (Abdurahman, 1987; Baker, 1995; Alebachew, 2000).

### **Factors Hindering Women's Success in the Informal Sector**

There are several factors which negatively affect women's success in business undertakings. Cultural norms and attitudes of society, lack of vocational education and training in business managements and financial factors are set backs to their improvement and success.

The situation analysis of gender inequalities and socio- cultural dynamics by Sarr (1999) has revealed gender disparities in income, health, schooling and literacy, share of income from labour, economic participation, and political voice.

According to the FAO (1999b) women are also frequently relegated to the status of second-class- citizen, dependent in terms of their rights upon their husbands or other male relatives. Thus, they often have limited access to and control over productive resources such as land, technology or financial services. Likewise, Saito et al. (1994) show women's labour in both the rural and urban informal sector remains high but largely unrecognized, and no account is taken of their labour in the household. With regard to women's multiple roles as farmers, household and community managers, traders, and family caretakers, they are increasingly confronted with work overload and fatigue.

Low social status and limited access to means of production force women into impoverishment. According to FAO (1999a), of the world 1.3 billion people living in poverty, 70% are women.

On the other hand, both rural and urban poor women lack the necessary capital or easy access to credit to establish profitable businesses. Because women lack technology and skill upgrading, they are engaged in little or unprocessed traditional items characterized by backward technologies, denying them an opportunity to generate additional income with more processed goods. Moreover, lack of knowledge and skill has forced women to concentrate on few and similar activities, which means they face stiff competition and earn meagre incomes.

The ILO (1997) pointed out lack of marketing infrastructure as another major problem for those women engaged in small- scale income-generating activities, particularly for those in rural areas. Many women engaged in income -generating activities lack adequate market information and hence are unable to speculate on the market in the right direction. In sum, they lack appropriate marketing strategy and creativity.



In Ethiopia, as some feminist researchers (for instance, Konjit 1995; Lubaba 2001; and ILO 1997) disclose, socio-cultural factors greatly influence women's economic activities. In many large markets and *gulit*<sup>v</sup> women's trading activities differ from those of men's. In most cases women concentrate in selling produce such as vegetables, fruit, and spices whereas men operate large- scale trading in items such as clothes and cereals. This shows how social norms limit women to restricted areas even in the informal sector.

## **Discussion of Findings**

### **Characteristics of Business Premises**

On-site observation revealed that most of the targeted business premises were concentrated in CBD (Central Business District) locations in *kebele* 03 and 01 of Dilla and Yirgachefe towns respectively. Marketing advantages, proximity to raw material supplies, CBD locations, and the attractions or pull of similar businesses (cumulative attractions) is attributed to a relatively higher concentration of the target groups in the selected sites.

Most of the surveyed business undertakings are built without foundation. The houses are made of crude structures with slanting and poorly sealed walls, and poor roofing. Most of the informants (75%) reported that they run their businesses in rented houses, i.e., mostly houses owned and rented by the *kebeles*. As a result, no body cares about the quality of the structures and the houses remain poorly furnished.

Utilities, such as water and electricity, are available only in few premises. From the sample survey, only 10 per cent of the informal enterprises reported that they have their own electricity and pipe water connections. The majority, therefore, rely on neighbourhoods for accessing water and electricity. Overall, the surveyed enterprises have poor housing structures with limited access to utilities.

About 92 per cent of the production units are owned privately, with group holding of businesses comprising an insignificant proportion at less than 2

per cent. Most business premises are operated with out any license or with an improper license, with the former accounting for 85 per cent of the operators, and the latter 10 per cent. About 5 per cent of the target group failed to give any response. A proper license is required to win bank credits, to acquire urban land or to engage in legal business dealings with government offices. Therefore, failure to possess licenses has clear disadvantages.

However, informal sector businesses save money through non-payment of license fees and charges, and tax avoidance. As such, many informal sector operators prefer to undertake businesses without proper license.

Regarding the hours of work per day, the answers given refer to a typical workday at the time of interview. Nearly 55 per cent of the operators worked for more than the official eight hours of work.

## **Demographic and Socio-economic Characteristics of the Surveyed Population**

### *Household Size and Age Structure*

Female business operators support relatively large households. About 85 per cent of the samples reported that they support households with five or more members, and 65 per cent with seven or more members. Such heavy household burdens will have a major impact on women.

Twenty-four and 20 per cent of those business owners of Dilla and Yirgacheffe respectively are 30 years old or younger; 64 and 67 per cent lie in the age group of 31-50; nearly 8 and 7 per cent are in the age range 51-60; and 5.0 and 5.1 per cent are 60 or more years old (see Table 2).



**Table 2: Age distribution of sampled population**

Age range	Dilla		Yirgacheffe	
	Number of respondents	% of Total	Number of respondents	% of total
Less than 30	21	23.5	12	20.3
31-50	57	63.8	40	67.2
50-60	7	7.7	5	7.4
Above 60	5	5.0	3	5.1
Total	90	100.0	60	100.0

Source: Based on field survey, 2005

The official retirement age in the country is 60 for civil servants, and by that measure most of the business owners are of working age. The high concentration of youth in the surveyed informal businesses is primarily an indicator of the failure of the formal sector to create employment for this age group.

#### *Migration, Religion, Ethnicity and Marital Status*

In this study a woman is deemed to be a migrant if and only if she came from outside the respective towns (Dilla and Yirgacheffe), and has lived there for one year or more. The survey data shows that most of the operators (65 per cent) are migrants while the remaining (35 per cent) are those whose place of birth is Dilla or Yirgacheffe. The majority of migrants (about 93 per cent) left their place of origin within the last 20 years.

Almost 79 per cent of the proprietors had moved to the towns when they were below the age of 30, with about 57 per cent between 15 and 29 years of age, and 22 per cent below the age of 15. A small proportion (13 %) migrated when they were over the age of 30. All this reveals that most migrants moved to the towns when they were young.

There are various motives for migration. People leave their home areas for economic reasons (to seek better jobs and opportunities) as well as for socio-cultural reasons (such as to escape conservative culture and taboos).

Economic motives are usually the impetus for young male migrants to the cities, whereas escape from rigid and conservative culture traits such as early marriage and abduction are mainly associated with female migrants. Survey data also support this assertion. Sixty eight per cent of migrant business owners came to Dilla or Yirgacheffe to free themselves from cultural taboos.

**Table 3: Reasons for migration**

Reasons	Rank frequencies				Sum of the 1 <sup>st</sup> three	Rank order
	1	2	3	4		
Followed relatives	4	9	17		30	4
Seeking employment/ better jobs	26	15	-		42	3
Seeking modern services		47	25		72	2
Cultural Taboos	68	23			91	1

Source: Based on field survey, 2005



The other major reason for migration (for nearly 20% of migrants) is related to the 'bright lights' concept of the city. The remaining 12 per cent of migrant operators mentioned various reasons such as following parents, friends and relatives to town (see Table 3).

Ethnic and religion based division of labour among informal sector participants is well documented in what has been known as the 'small firms approach' in the literature. According to this approach, ethnic and religious-based social networks have a strong role in checking entry into informal sector occupations; see for instance (Shack, 1973; Tebarek, 1997). The findings of this study support this assertion. Survey results showed that 65.5 per cent of the business owners are the *Amharas* followed by the *Guraghes*, and other ethnic groups, which share respectively 24.6 and 9.9 per cent of the total.

The *Amharas* are the most dominant group in the two surveyed towns, and they cover the lions' share of migrants. Moreover, the *Guraghes*' strong attachment to trading, domestic work, manual labour and cottage industries has been well documented by previous studies such as Shack (1973) and Tebarek (1997).

The prevalence of religion-based division of labour has evolved in the survey data. The Orthodox Christians run alcohol-related businesses such as liquor houses. The Muslims and Protestants, on the other hand, dominate non-alcoholic businesses such as petty trade activities, including grain and spice trade, selling of non-alcoholic drinks, fruits and vegetables.

Finally, as regards marital status, the compiled survey data shows that 35 per cent of the respondents are widowed, 15 per cent married, 18 per cent single, 23 per cent divorced and 9 per cent separated.

### *Education and Training of Respondents*

There are conflicting ideas concerning the importance of education for any success in the informal sector operations, see for instance, the compiled works of Richardson (1985).

Some consider education as one of the essential attributes of informal sector operators, and others observe insignificant contribution in informal own-account enterprises (Dessalegn, 2004; Etenat, 2004; and Selamawit, 1994).

Survey data reveal that most proprietors have at least some primary level education, about 17 per cent are illiterate and about 15 per cent have some secondary level education or higher. A relatively large proportion of illiterates among proprietors are observed in local drinks producers and petty trading such as grain and spice trade and selling of fruits and vegetables.

Almost 55 per cent of knitwear production and beauty saloons owners are engaged in activities with a relatively higher level of capital and a considerable number of employees. Individuals with primary level education and illiterates run activities such as kiosks, tea and liquor houses, garment outlets and small restaurants. Only in the case of knitwear production and beauty salons is the requirement of some higher level of schooling noticeable. It seems plausible therefore to argue that in most cases the social demand rather than productivity requirements determines the extent of schooling.

### *Earnings*

The monthly incomes of business owners were approached in two ways-by estimating the total monthly sales and by deducting the value of monthly expenditures from the value of total monthly output.

Taking all activities together, the average monthly income of business owners is only 95 Birr (100 Birr=5.66 British pounds or 11.25 US dollars). The average monthly income of operators ranges from 60 to 300 Birr. Although inter-business variations in income levels are not too wide, there are observed differences, which may be related to factors such as relative size of businesses and type of production or service.



Overall, these business owners tend to generate lower incomes than the more modern and relatively more complex production enterprises, which in most cases are run by males. Survey data revealed that 73 per cent are owners themselves. Some activities, which produce and sell low quality goods and less profitable commodities such as *Kocho*<sup>vi</sup>, vegetables, *injera*<sup>vii</sup> and other domestic goods, provide employment only for the owners and their dependents. Teahouses, small restaurants, garment shops and liquor houses have higher employment capacity.

A further break down of employees by status of employment shows that not all employees are necessarily wage employees. Wage employment accounts for only 39.4 per cent, paid family members account for 3.2%, and unpaid family members 51.2 per cent of total employment. Clearly, most of the business premises are family owned and run by family members.

### **Determinants of Level of Living and Earnings**

The main purpose of this section is to generate statistically valid generalizations concerning variations in the meaningful relationships between demographic, employment and socio-economic characteristics of women running informal sector businesses.

Multiple regression analyses were carried to determine the net effects of a whole range of variables in levels of living (see Table 4). The dependent variable is MPCE, defined as the weekly per capita expenditure of the household. The explanatory variables include number of dependents (DEPN), number of household members with secondary and above education (HEDU), and with elementary and junior education (EJED), proportion of unemployed among active adult workers in the household (UNEM), dummy variable for no adult male worker in the household (NAMH), dummy variable for migrant business owner (DMIG), dummy for married business owner (DMOW), lower-paid principal occupation category (LPOC), and dummy for primarily unemployed household members (DPWH).

**Table 4: Linear regression analysis of determinants of per capita level of living**

Dependent variable: MPLE (weekly per capita expenditure of the household). Mean: 28.6 Birr; Standard deviation: Birr 17.4

<b>Explanatory variables</b>	<b>Regression coefficient</b>	<b>Standard error</b>	<b>Significant at the percentage level</b>
DEPN	-2.7521 (-0.2000)	0.1564	0.0
HEDU	8.2451 (0.0512)	0.4807	0.0
EJED	2.1423 (0.0712)	0.2156	0.0
UNEM	-16.0012 (- 0.0240)	1.5210	0.0
LPOC	-4.8113 (-3.4142)	0.3616	0.0
NAMH	-9.5213 (-0.0132)	1.4356	0.0
DMIG	-2.4312 (-0.2145)	0.1254	0.0
DMOW	-1.2315 (-0.1000)	0.1254	0.0
DPWH	-17.0084 (-0.0231)	1.6452	0.0
Constant term	42.5147	1.2102	0.0

R<sup>2</sup>= 0.2912; F= 101.2; No of observations= 150



The regression analysis shows that all the explanatory variables have statistically significant coefficients. Levels of living are positively related to the education variables (HEDU and EJED), and to the dummy variable for primarily wage-employed household members (DPWH). It is, however, negatively associated with the number of dependents (DEPN), lower paid principal occupation category (LPOC), proportion of unemployed (UNEM), the dummy variable for adult male worker in the household (NAMH), migrant business owners (BMIG) and married business owner (DMOW).

Table 5 presents a regression analysis of the determinants of earnings (EARN) in the labour force. Some of the explanatory variables are specific to each individual owner- age (in years), education level (secondary and above, HIDU; elementary and junior, EJED), and dummy for migrant business owner, DMIG. Some of the other variables are specific to the household of the owner- number of dependents as proportion of the household size (NDEP), and to the business-initial capital, ICAP, business size (BSIZE) and hours worked per week (WHRS). Most of these variables are statistically significant (except DMIG and EJED), and are of expected signs. EARN is higher with age, indicating seniority and learning, higher with ICAP, BSIZE, WHRS and NDEP.

**Table 5: Linear regression analysis of weekly earnings**

Dependent variable: EARN weekly earnings of the business owner. Mean: Birr 24.8, Std. Dev. Birr 17.2

<b>Explanatory variables</b>	<b>Regression coefficient</b>	<b>Standard error</b>	<b>Significant at the percentage level</b>
1. Age (in years)	0.3019 (1.1012)	0.0388	0.0
2 HEDU	12.7123 (0.0215)	0.7012	0.0
3. EJED	3.1213 (0.0714)	0.2614	0.0
4. DMIG	-1.1510 (-0.0122)	0.3764	0.2
5.NDEP	1.7213 (0.0521)	0.2146	0.0
6.ICAP	1,2456 (0.2451)	0.0245	0.0
7. BSIZE	0.2497 (1.1124)	0.0245	0.0
8. WHRS	0.7021 (1.4213)	0.0542	0.0
9. NDEP	1.7214 (0.0637)	0.4963	0.0
Constant term	-3.0124	1.0214	0.0

R<sup>2</sup>=0.3142: F=81.2: No of observations= 150

### **Major Constraints Encountered by Women in Running Informal Businesses**

Among the list of problems affecting the surveyed informal sector enterprises, lack of both start-up capital and formal sector credit facilities



ranks the highest (32.3%). Most establishments are set up using one's own finance and bank loans are non-existent. Banks have stringent collateral requirements which informal sector enterprises find it difficult, if not impossible, to meet. Hence, most business owners rely on friends, neighbours, relatives and informal loan institutions (*iqub<sup>viii</sup>*) for start-up capital.

The capital finance requirements of informal enterprises arise not only at the establishment phase but also during the business operational phase. Owners cover most operational expenses. However when sales fluctuate and there is an absence of monetary reserves, it becomes difficult to keep the operation going without outside finance. This causes disruptions and production discontinuities.

Another problem faced by informal sector operators is lack of marketing infrastructure. This is related to the problem of selling products where there are constraints on both the demand side (lack of customers), and on the supply side (excessive competition). Some 16.5 per cent of owners reported that they have problems with outlets, and 12.1 per cent underlined severe competition with their competitors in the informal and formal sectors. Over 85 per cent of business owners provide their outlets (including services) directly to their clients for final consumption; the possibility of other market outlets for their product is very dim.

On the other hand, lack of technology and skill upgrading are also bottlenecks for further improvement of businesses. Most women are thus engaged in less processed or unprocessed traditional items using backward technologies, denying them an opportunity to generate additional income with more processed goods. Moreover, lack of knowledge and skill has forced women to concentrate on few and similar activities with the effect of fierce competition and meagre income. Diversification of activities and production of more processed products with value added are non-existent.

In addition, lack of suitable premises, problems related to shortage of raw materials, strict government regulations and difficulty of accessing relevant

amenities account for an accumulated 23.9 per cent of total problems identified.

## **Summary and Recommendations**

### **Summary**

Knowledge of women's roles provides the basis for identifying the constraints and opportunities for promoting their welfares and aspirations, including engagement in income generation activities. In the literature section references were made to gender disparities in income, health, schooling, literacy, share of income from labour and economic participation, see for instance, Sarr (1999).

Women are frequently relegated to the status of second-class citizen, dependent in terms of their rights upon their husband or other male relatives. At the same time, women's labour in the informal sector, both rural and urban, remains high but largely unrecognized, and no account is taken of their labour in the household, particularly in Sub-Saharan African countries including Ethiopia.

With regard to women's multiple roles as household and community managers, traders and family caretakers, FAO (1999a) has ascertained that women are increasingly confronted with work overload and fatigue. The present study substantiates most of these assertions as summarized below.

The type of informal businesses surveyed in this study include handicraft making (such as spinning and carpet weaving), petty trading, brewing and selling traditional beverages, vegetable marketing/ gardening and livestock production, processing and selling local pastries and roasted grains. Most of the businesses are housed in poor structures shed and are inadequately supplied with utilities.

Another salient feature of the surveyed premises is that they are mostly low-investment enterprises. The level of production is often low and unstable



and the income generated from business production is often irregular and insufficient to cover their household needs.

Most of the business undertakings are too small to provide full employment even for the proprietors much less to engage labour outside the family. The majority of proprietors are migrants mainly from the two ethnic groups of the *Amhara* and the *Guraghe*.

The data on reasons for migration give strong support for the importance of non-economic factors, which include rigid socio-cultural traditions such as early marriage and abductions. The search for urban facilities and the availability of relatives or friends were the other motivating factors for the migration of women to the surveyed towns.

Data on the educational status of women entrepreneurs reveal that there appeared to be activity based on difference in educational profile. Women running businesses, which required frequent financial balancing, such as small kiosks, restaurants and confectionaries had a secondary level education. However, most business owners had only some primary level education.

The informal business undertakings in the two towns face similar problems. Most of the investment financing is done from owners' own sources. Limited finance and lack of alternative sources of investment finance are identified as the major constraints.

A second problem that the surveyed informal sector activities encounter is lack of marketing infrastructure. The operators sell their products or services directly to individual clients and rarely, if ever, are marketing done through other enterprises.

A number of other problems limited further growth and expansion of the businesses. These include competitions with formal sector enterprises and similar informal enterprises, lack of technology and skill upgrading, and lack of suitable premises.

The empirical analysis on determinants of level of living and earnings of the informal business owners has identified some factors of policy relevance.

Across business owners, levels of living are related to education, availability of wage- employed household members, number of dependents, lower-paid principal occupation category, proportion of unemployed family members and absence of adult male workers in the household, and marital and migration status of respondents.

Furthermore, a regression analysis of the determinants of earnings identified the following factors as major determinants- owner's age, education level, migrant status, number of dependents, initial capital, business size, and hour worked per week. Most of these variables are statistically significant and are of expected signs.

### **Recommendations**

The findings of the study and the conclusions thus reached tend to suggest the need for a number of policy interventions in order to improve women's well being and to achieve efficient gender mainstreaming.

As discussed so far, women contribute significantly to local demand and household welfare. However, their efforts are hampered by a lack of capital, modern implements, distribution of facilities, market outlets, and many other factors. Efforts to improve the situation need to address institutional policies and programs, governance, constituencies and legal rights. To rectify this, the government should initiate a number of economic and socio-cultural reforms aimed at correcting the macro- economic imbalances, which have had a negative effect on productivity at all levels.

Experience from other countries has shown that provision of credit has been a cornerstone of the government's efforts to promote income-generation activities, especially among disadvantaged but economically productive groups such as women and young people. Thus, it appears to be urgent to develop strategies on micro-finance institutions that empower and stimulate female-headed households to produce goods for the market place.



Women's economic participation in the informal sector is largely invisible. Thus specific strategies and actions are required to enhance their economic rights by assigning a value to their productive roles and subsistence activities, by promoting women's entrepreneurship through commercialization of enterprises run by women, by creating job opportunities for women, by undertaking in- depth research and advocacy on women's economic empowerment, and by ensuring that this empowerment is a key element of the country's economic policies.

## NOTES

<sup>i</sup> Zone is an administrative unit in Ethiopia that is below region but above *woreda*. *Woreda* is an administrative unit in Ethiopia that is below region and zone but above *kebele*. *Kebele* is the lowest administrative unit in Ethiopia.

<sup>ii</sup> SNNPR is the short form for Southern Nations, Nationalities and Peoples Region

<sup>iii</sup> *Enset* is large-leaved tropical plant that bears the staple food locally known as *kocho/workie*.

<sup>iv</sup> *Chat* is a shrub that has a stimulating and euphoric effect when chewed.

<sup>v</sup> *Gulit* is a place where women stay and carry out their trading activities, mostly sitting in the open air.

<sup>vi</sup> *Kocho* is local bread prepared from the powder of *enset* plant.

<sup>vii</sup> *Injera* is a staple food in most part of Ethiopia which is prepared from the flour of a cereal locally known as *teff*.

<sup>viii</sup> *Iqub* is a voluntary money pooling institution rotating the sum among the members.



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