

*Full length Research Paper*

# Women in the informal sector: Evidence from Southwestern Ethiopia

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**The major objective of this study is to assess the status of women in the informal sector with particular emphasis in south western Ethiopia. The study was carried out in Gomma Woreda of southwestern Ethiopia. In this study primary data sources were used. In the research it was 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 'teji' 'tela', 'areki', 'shameta' and 'borde' is the third important activity of women. Many women inhabit slum and squatter settlements with poor conditions of houses, electricity, 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.**

**Key words:** Informal sector, women, monthly income, migrant, capitals.

## INTRODUCTION

One basic problem which researchers face is the lack of an acceptable operational definition for the informal sector, and it is not surprising that practically all studies start with attempting a definition (UNCHS, 2006). In developing countries, the term 'informal sector' has broadly been associated with unregistered and unregulated small-scale activities (enterprises) that generate income and employment for the urban poor dwellers. Over the past 30 years, the term has been used in developing; western industrialized, centrally planned and transition countries to analyze a wide spectrum of activities that escape taxation, measurement, and regulation. It has been used to describe such diverse activities as street vending, hawking, undeclared domestic work, barter, stealing public property, corruption, tax evasion, the Mafia and organized crime (Sabine, 2002).

The concept of Informal sector is difficult to be defined but most scholars agree that informal sector include all activities that does not officially registered or licensed and those which are more or less synonymous with small scale industry under takings (Michael, 2000). Gerald

and James (2004), underline the wide job opportunity informal sectors created to the poorest section of a society particularly to females when defining the concept of informal sector.

The Central Statistical Authority of Ethiopia (1997) defines informal sector as follows:

- (i) Sectors which are mainly engaged in market production.
- (ii) Sectors which are not registered companies or cooperatives.
- (iii) Sectors which have less than ten people engaged in.
- (iv) Sectors which have no license.

The informal sector is a dynamic segment of the economy and the labour market. In a context of jobless economic growth, recurrent financial crises, economic downturns and highly-skilled labor demands by formal sector enterprises, in many countries around the world the informal sector not only continues to grow, but has also altered its characteristics in order to be able to adapt to changing conditions (Ralf, 2001).

Though it is difficult to state the exact number of women engaged in various informal sector activities in Ethiopia, research reports reveal that quite a large number of women earn their living in this sector. For instance, Central Statistical Authority Report (1994) report that, figures obtained from 1994 census put that 52% of women were engaged in the informal sector. The number of 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.

An enormous number of women participate in the informal economic activities, such as street vending, retail trade, local drinks (like, 'teji' 'tela' and 'areki') to help themselves and sustain in their life. Women involved in the informal sector are the direct victims of poverty. Poverty is even growing due to the uncontrolled rapid population growth in less developed countries, which is not equal with degree of economic growth. This resulted serious social and economical hazards such as housing and social security problems, insufficient of infrastructure and unemployment.

Ethiopia, like any other part of the developing countries face serious challenges related to rapid urban population growth this is partially attributed to excessive urban-urban migration (Bereket and Abebe, 1997). As a result, the socio economic status of the country become degraded and the number of unemployed people seems increasing. On the other hand, the informal sectors play an important role in securing employment for large number of women. Informal sector play a great role in the economy, it serves as the base of life for those women who do not get job in the formal sector. Due to this a large number of people (women) in developing countries create their own job in the informal sector. Informal sector play an important contribution to the lives of many Ethiopian as it does not only generate income and employment but also provide and produce essential goods and services for themselves. Therefore, this study is conducted mainly to examine the socio-economic and demographic aspects of women in the informal sectors and identify problems faced by them in the sector. The major objective of this study is to assess the status of women in the informal sectors with particular emphasis in south western Ethiopia. The specific objectives include:

- (i) Analyzing the socio-economic and demographic characteristics of women in the informal sectors.
- (ii) Assessing the major factors that lead women to informal sector activities.
- (iii) Exploring the major problems in the informal sectors.

## **MATERIALS AND METHODS**

### **Description of the study area**

This study was carried out in Gomma Woreda, which is one of the

17 Woredas in Jimma Zone of Oromia region, Ethiopia known for predominantly growing coffee. It is located 403 km south west of Addis Ababa and about 50 km west of Jimma town. One of the coffee biodiversity centers in Ethiopia is found in this Woreda. According to the Central Statistics Agency report of 2009, the number of agricultural households in the Woreda was 45,567 of which 35,533 are male headed (78%) and 10,034 are female headed (22%). The total population of the Woreda was 216,662 of which 110,448 are males and 106,174 are females.

Gomma is the second most densely populated Woreda in Jimma Zone with a size of 96,362 ha (94.4 km<sup>2</sup>). The average annual rainfall of the district is 1,524 mm with low variability. It is bimodality distributed in which the small rains are from March to April and the main rainy season from June to October. Hence, crop and livestock production is not constrained by the amount and distribution of rainfall. Altitude in Gomma ranges from 1,387 to 2,870 m above sea level. Most parts of the Woreda lay between 1,387 and 1,643 m; and 1,849 and 2,067 m above sea level. However, few of the areas in the Woreda have altitudes ranging from 2,229 m to 2,870 m above sea level.

### **Method of data collection**

In this study primary data sources were used. Questionnaire was used to collect primary data from 150 purposively selected respondents who are running the informal business. The questionnaire was designed for collecting primary data from the sample or selected informal traders. In addition, other individuals who are related to the informal sector in one way or other are also interviewed in order to get valuable information.

### **Method of data analysis**

The collected data were entered into SPSS version 16.0 and analyzed by using descriptive statistics. Chi-square test was used for categorical variables and Pearson's r for continuous ones to know the impact of one variable on the other variables. In this study descriptive analysis were chosen because of its simplicity and clarity to draw inferences. Averages, percentages and tables were used for the analysis of the collected data.

## **RESULTS AND DISCUSSION**

This part of the study presents the socio-demographic characteristics of the respondents, informal sector activities, women and migration, financial positions of women, sources of startup capital, housing and logistics availability and challenges and prospects. The major findings of the study are compared to the previously published studies.

### **Socio-demographic characteristics**

The socio-demographic characteristics of the study's target population are explained in terms of age, religion, ethnicity, marital status, educational background and family size. Table 1 shows the socio-demographic characteristics of sample population affecting the status

**Table 1.** Socio-demographic characteristics of sample population.

Items	N	Mean
Age	150	32.6
Family size	150	3
<b>Religion</b>	<b>150</b>	
Christian		30%
Muslim		70%
<b>Ethnic background</b>	<b>150</b>	
Oromo		60%
Amhara		10.7%
Gurage		22.7%
Wolaita		6.6%
<b>Marital Status</b>	<b>150</b>	
Married		28.7%
Single		24.0%
Divorced		36.7%
Widow		10.6%
<b>Educational status</b>	<b>150</b>	
Illiterate		58.7%
Read and write		6.7%
Primary		14.6%
Secondary		20%

Source: Field survey, 2012. \*Pearson r, age and family size,  $r=0.64$ (moderate correlation),  $X^2$ .....statistically significant at 5% level of significance ( $p<0.05$ ). \*marital status and education ( $X^2=18.146$  df = 9, Sig = 0.034), \*Marital status and religion ( $X^2=8.948$  df = 3, Sig = 0.03), \*ethnic background and education ( $X^2=17.558$  df = 5, Sig = 0.041).

of women in the informal sectors.

It is summarized in Table 1 that women in the informal sectors are young and economically productive age group. Considering the religion mix majority are Muslims (70%) whereas Christians constitute only 30%. Ethnic background of the sampled population on the other hand reveals that the lion's share goes to the Oromo (60%)ethnic group, next Gurage (22.7%), and Amhara (10.7%) and Wolaita (6.6%), respectively.

The sampled population's marital status show us that a significant number of women involved in the informal sector activities are divorced one (36.7%). Besides, women who are married (28.7%) account for the second biggest number in the informal sectors. On the other hand, a considerable number of women in the informal sector are illiterate (58.7%) which may hamper the prospects of expansion of the business. Besides, those who are in their secondary education attainment occupy the next largest percentages (20%) as opposed to the primary educational attainment of only 14.6%.

**Table 2.** Informal sector activities.

Items	N	%	share %
Street vending	150	31.3	
Muslim			100
Christian			-
Retail Trade	150	46.0	
Muslim			79.7
Christian			20.3
Sell of local drinks	150	22.7	
Muslim			9
Christian			91
Total		100%	

Source: Field survey, 2012.  $X^2$ .....statistically significant at 5% level of significance ( $p<0.05$ ), \*Religion and type of activity ( $X^2=83.835$ , df = 2, Sig = 0.00), \*Education and type of activity( $X^2=20.416$ , df = 6, Sig = 0.002), \*Ethnicity and type of activity ( $X^2=19.680$  df =6, Sig = 0.003), \*\*Marital status and type of activity( $X^2=7.145$ , df = 6, Sig = 0.308), \*\*Age and type of activity( $X^2=92.999$ , df = 82, Sig = 0.201).

### Informal sector activities

International Labor Organization (2002) found that informal employment is generally a bigger source of employment for women than for men. The informal economy is that part of an economy that is unknown to the tax authorities, not supervised by any hierarchies in the government as opposed to the formal economy. They are also known by the terms of black market, the shadow economy and the underground economy. In the study area it was found that an immense number of women participate in the informal economic activities, such as street vending, retail trade, production and sell of local drinks (like, 'teji' 'tela' and 'areki') to help themselves and sustain in their life. Table 2 illustrates the various types of informal sector activities that women are engaged in and earn a livelihood.

Table 2 above clearly demonstrates that women in the informal sectors 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 'teji' 'tela', 'areki', 'shameta' and 'borde' is the third important activity of women. Though not exclusively practiced by Christian women, the production and sell of local drinks are is an important activity of Christian women. Table 2 shows also that retail trade and on street selling activities are dominated by Muslims. According to Martha (2002), the bulk of women in the informal sector are home-based workers or street vendors. Home-based workers imply three types of workers— dependent subcontract workers, independent own account producers, and unpaid workers in family

**Table 3.** Women in the informal sector and migration.

Items	N	%
Are you a migrant	150	
Yes		68
No		32
Reasons to migrate	102	
Searching better life		30
Marriage		14
Influence of friends		14
Seeking formal employment		30
Educational reasons		12
Former work of migrants	102	
Dependents on husband's income		56
Farmers		34.7
Students		9.3

Source: Field Survey (2012).  $X^2$ .....statistically significant at 5% level of significance ( $P < 0.05$ ). \*Reasons to migrate and former work of migrants ( $X^2 = 35.440$ ,  $df = 8$ ,  $Sig = 0.00$ ).

businesses.

### Women and migration

Nowadays a growing number of unattached as well as attached women migrate to seek economic opportunities. Few of these migrants are able to find employment in the formal sector. As a result, women often represent the bulk of the informal sector labor supply, working for low wages at unstable jobs with no employee or social security benefits. In the study area it was found that a considerable number of women in the informal sector are migrants.

As recapitulated in Table 3, majority of the women in the informal sector are migrants (68%) from other areas who came to earn a livelihood. On the other hand, among the factors that drive women to migrate are the need to engage in the formal employment coupled with the search for better life in the formal sectors. They search work in the formal sector but most of them find themselves jobless and they join the informal sector to secure employment.

Turning to the analysis of the former works of women migrants before their attempts to migrate we see that the largest number are dependents on their husband's income (56%) without their own incomes. Those who were students before migrating account for about only 9.3% showing that women with better schooling opportunities refrain from migrating.

### Financial positions of women

The financial position of women in the informal sector

**Table 4.** Initial capital, monthly income and years of work experience in the informal sector.

Items	N	Min.	Max.	Mean
Initial capital(ETB)	150	50	1500	375
Monthly income(ETB)	150	250	1300	576.5
Work experience	150	1	18	4.6

Source: Field Survey (2012). \*Pearson's r, experience and monthly income,  $r = 0.4$  (low correlation), \*Pearson's r, age and monthly income,  $r = 0.1$  (little if any correlation), \*Pearson's r, age and initial capital,  $r = 0.34$  (low correlation), \*Pearson's r, family size and initial capital,  $r = 0.25$  (little if any correlation).

**Table 5.** The major sources of initial capital for starting a small business in the informal sector.

Items	N	%
Interest based creditors	150	34.7
Borrowing from friends	150	33.3
Husband's income	150	16.0
Equip	150	10
Past savings	150	6

Source: Field Survey (2012).

could be explained in terms of the initial startup capital, their monthly returns or income and the number of years they worked in the informal sectors. Table 4 indicates the situation of women with regard to the finance positions.

Women in the informal sector run small businesses which are constrained by capital shortages as depicted in Table 4. Bare minimum capital availability for women to run a business may lead to low productivity. For instance, the average initial capital is 375 Ethiopian Birr (ETB) which is too small to operate a small business to the desired level. On the other hand, the average monthly income of the sampled population stood at only 576.5 ETB. Actually, many women run small business ventures, which require little or no startup capital.

### Sources of startup capital

The major sources of initial capital for beginning a small business ventures in the informal sector may include interest based creditors like usurers, borrowing from friends, husband's income, 'equip'(local fund raising system) and past savings. Table 4 summarizes the major sources of initial capital for starting a small business in the informal sector.

As stated in Table 5, the most important source of raising money for starting a small business in the informal sector is interest based creditors like usurers as opposed to the interest based loans from formal financial institutions. The second largest source of initial capital is

**Table 6.** Housing and logistics aspects of women in informal sector.

Items	N	%
Housing conditions	150	
<i>Own houses</i>		16
<i>Private house rental</i>		56
<i>Government house rental</i>		28
Logistics (for production of local drinks)	34	
<i>Sufficient</i>		40
<i>Inadequate</i>		60

Source: Field Survey (2012).  $X^2$ .....statistically significant at 5% level of significance ( $P < 0.05$ ). \*Housing and logistics ( $X^2 = 6.622$  df = 2, Sig = 0.036).

**Table 7.** Attitudes of local administrators and futures of women in the informal sector.

Items	N	%
Attitude of local administrators	150	
<i>Discouraging</i>		60
<i>Unconcerned</i>		40
Plan in the future	150	
<i>Quit</i>		24.7
<i>Strengthen the business</i>		75.3

Source: Field Survey (2012).  $X^2$ .....statistically significant at 5% level of significance ( $P < 0.05$ ). \*Attitude of administrators and plan in the future ( $X^2 = 4.042$ , df = 1, Sig = 0.044).

borrowings from friends. The mix of possible sources of initial capital in the study area is an indication to us that formal financial institutions are not in a position to provide them credit to run a business in the sector. This in turn affects the prospects of business expansion.

### Housing and logistics availability

Women in the informal sector are well-known for their small scale production and service activities. Most of them inhabit slum and squatter settlements with poor conditions of houses, electricity, water, drainage, transportation, and educational and health services. Below we discuss the housing and logistics aspects of women in informal sectors in the study area. Table 6 beneath strengthens our analysis on housing and logistics aspects.

Out of the total sampled population 56% of them live in a house that they rented from private individuals whereas 16 and 28% of them dwell in their own houses and

government rented houses, respectively. Those women living in government houses barely obtain the basic facilities of electricity, water and drainage systems. On the other hand, even those who own a private house live under condition of poor basic facilities and of course a slum settlement. In addition, private houses rented from individuals are not good as it may seem as these women hardly afford to pay relatively big amount of rent.

Turning to the analysis of producers and sellers of local drinks we find that; though it is the third important activity as we have seen before; it is constrained by shortages of the necessary equipments and raw materials for production and marketing. As a result, without sufficient logistics it is challenging to work and sustain livelihoods in the sector.

### Challenges and prospects

Although there is ever increasing failure of the rural and urban formal sector to absorb new entrants to the labor force, more attention is being given to the formal sector only. The results of the study also strengthen the same idea. As depicted in Table 7 below the approach of local government to the informal sector is not encouraging. Attentions are being given more to the formal sector though the informal sector is the only hope for a large number of women who are not able to find employment in the formal sector. On the other hand, the study reveals that in the face of lack of attention from government still they have a strong commitment to continue working in the sector just hoping a bright day in the future. According to Lota (2011) within the informal sector, women are concentrated in work related with low and unstable incomes and with high risks of poverty. Regardless of the small incomes and insecure nature of much of women's paid informal work, in DCs as well as LDCs, their work can be of assistance to keep a family out of poverty.

### CONCLUSIONS AND RECOMMENDATIONS

The major pushing factors for the emergence and growth of the informal sector are high population growth coupled with migration and the incapability of the formal sector to absorb the ever rising job seekers. Women have fewer educational opportunities than men in the area and generally in the country which forces them to join informal sector activities. The informal sector is differentiated by a large number of small scale production and service activities that are individually or group owned. Women in the informal sectors are self employed workers with little formal education, are generally unskilled, and lack access to financial capital. Because of this worker productivity and income tend to be smaller in the informal sector than in the formal sector.

Among the factors that drive women to migrate are the need to engage in the formal employment coupled with the search for better life in the formal sectors. However, most of them find themselves jobless and they join the informal sector to secure employment. On the other hand, the study found that the most important source of raising money for starting a small business in the informal sector is interest based creditors like usurers as opposed to the interest based loans from formal financial institutions.

Many women inhabit slum and squatter settlements with poor conditions of houses, electricity, water, drainage, transportation, and educational and health services. Although there is ever increasing failure of the rural and urban formal sector to absorb new entrants to the labor force, more attention is being given to the formal sector only. Attentions are being given more to the formal sector though the informal sectors are the only hope for a large number of women who are not able to find employment in the formal sector.

As recommendations, the following measures should be taken for the improvement of women's condition in the informal sectors.

1. The government should provide financial assistance to women to help them graduate to the level of Micro and small business enterprises by legalizing the informal sectors.
2. The involvement of women in urban informal sector is directly related to the alarming rate of migration from rural to urban areas. In order to control rural-urban migration, maximum efforts should be exerted by local government to develop alternative job opportunities in their locality.
3. The findings of the study reveal that women lack basic equipments, clearly defined market place and sufficient capital. Therefore, the local authorities should give a considerable attention to come up with solutions that reduce the bottlenecks in the sector as the sector absorbs a significant number of individuals.

4. By cooperating with financial institutions in the area local authorities should work to strengthen the habit of thrift which may help them for future business expansions.

5. Till now the local government did not provide any attention to women in the informal sector. Therefore, it is the right time now to create relationships, build the capacities of women in the sector by conducting trainings and smoothing out the path for them to get credit from formal financial institutions.

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