MASTEROPPGAVE

Cause and Effect of Informal Sector: the case of Street vendors in Addis Ababa, Ethiopia.

by

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List of abbreviations

AAU-Addis Ababa University

CSA-Central Statistical Agency

CSD-central for the study of democracy

ETB-Ethiopian Currency

GDP- Gross Domestic Product

GNI-Gross National Income

ICBT- Informal Cross order Trade

ILO - International Labour Organization

IMF- International Monetary Fund

JASPA-Jobs and skills program for Africa

LED- local economy development

MFI - Micro Financial Institutions

NGO-Non Governmental Organization

SBOTF-Street Business Operators Task Force

SME-Small and Micro Enterprise

SNNP-Southern Nations,Nationalities &peoples

SSA-Sub-Saharan Africa

UIS- Urban Informal Sector

UN-United Nation

UNU-United Nation University

WBO-World Bank Organization

WIEGO- Women in Informal Employment: Globalizing and Organizing

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Abstract

The main aim of this 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; 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 used descriptive and logistic regression analyses method. The findings of the study shown the main factors determining the reason of informal operators to become in the informal sector are unable to fulfil criteria of formal sector and lack of job opportunity in the formal sector.

The study revels informal sectors is source of income for the poor or means of employment and also it is a base of formal sector.

This study shows that the majority of the street vendor's constraint was shortage of capital and problem faces from Government field and other incidents.

NB- This finding limited by the selection of indicator (ordinal variables) that seat reveal some aspects of the theoretical factors

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Chapter One

1. Introduction

The informal sector is known by many different names such as the informal economy, Black market, Casual Work, Clandestine Activities, Community of the Poor, Family-enterprise Sector, Hidden Sector, Informal Opportunities, Informal Sector, Intermediate Sector, Invisible Sector, Irregular Sector, Lower-circuit of the Urban Economy, Non-Plan Activities, Non-Westernized Sector, One-Person Enterprise, Parallel economy, People's Economy, Petty Commodity Production, Shadow Economy, Trade-Service Sector, Transient sector, Underground Economy, Unobserved Economy, Unofficial Economy, Unorganized Sector, Unrecorded Economic Activities, Unremunerated Sector, Unstructured Sector, Urban Subsistence Sector. The name was given based on different contexts and points of view. For instance different observers are described as follows:

Peter Gutmann(1977) has used the term 'subterranean economy' to define all transaction that 'escape from taxation'. Feige defines the 'hidden economy' as one that 'escapes purview of our current social measurement'. Tanzi (1982) defines the 'underground economy' as 'gross national product that, because of UN reporting and/or under reporting, is not measured by official statistics'. Del Boca Forte defines the 'parallel economy' as those activities that are characterized by lack of formal transaction. (Maliyamkono and Bagachwa ,1986) cited in SisaySeifu, (2005)

The term informal sector is introduced by ILO (1972) which refers to part of an economy because the economy included in any gross national product (GNP). However, it is not taxed, monitored by any form of government that is the reason why the name call us informal. And also the way of the activity characterised by easy to entry mean that not need much training, education and capital. ,local and low resources based; family ownership; labour-intensive with adapted technology ; skills acquired informal processes ; not officially regulated and produce on small scale with competitive markets.

The term informal sector in this paper used for all activities that goods and services of means of production are formal or legal but not registered or out of government control. That people work as self-employed without pay any cost for registration, tax.....and who work as a means of income with poor condition of working and wit out security. Within informal-sector activities including petty traders, street vendors , Home-based workers, Waste pickers, coolies and porters, and small artisans, barbers, shoeshine boys and personal servants.

1.1 Back ground of the study

Different school of thought subscribes to a different causal theory of what gives rise to the informal economy.

The dualists argue that informal operators are excluded from modern economic opportunities due to

a) Surplus labour, the growth rates of the population higher than demand of labour in modern industrial sector; and

b) Industrial sector needs technological skill so that some peoples do not get opportunities cause of luck of skill.

On the other hand, the structuralists argue that informality is due to the nature of capitalism growth: that is the strategy of formal firms to reduce labour costs and increase competitiveness.

The legalists argue that a hostile legal system leads to informal activities. That is micro-entrepreneurs, who chooses to operate informally in order to avoid the costs, time and effort of formal registration (De Soto, 1989).

And the il-legalist school, popularized by neo-classical and neo-liberal economists across the decades, subscribes to the notion that informal entrepreneurs deliberately seek to avoid regulations and taxation and, in some cases, to deal in illegal goods and services.

Current re-thinking of the informal economy suggests the need for an integrated approach that looks at which elements of dualist, structuralist, legalist, and il-legalist theories are most appropriate to which segments of informal employment in which contexts. (Chen, 2012)

Therefore, informal sector is researchable area but in the area of study especially in Ethiopia little has been done. So, further study need in Ethiopia context will get contribution in the economy.

1.2 Research question

• What is the main reason informal operators to become in the informal sector?

1.3 Objectives

1.3.1 General objective

The aim of the study is to investigate the importance of informal sector on developing countries economy and identify constraints and risk in operation.

1.3.2 Specific objectives

- ➤ To investigate reasons make people to become street vendors.
- ➤ To investigates importance of street vendors.
- ➤ To identify obstacles and constraints of street vending.
- ➤ To identify negative consequence of street vending.
- ➤ To draw conclusion

1.4 Significance of the study

The findings of the study have theoretical as well as practical significance. This micro level study is expected to give insights to understanding the importance of street vendors in Addis Ababa.

The study is expected to raise societal awareness of street vends, to identify the factors that contribute to this operation and to understand the challenges faced by the vendors. In due course, it is hoped that this study will help to donor communities will provide recent statistical data and research findings. It may also have some contribution to the formulation of appropriate policies for preventing, reducing and controlling the problem of street vendors. These policies will help the concerned bodies to focus on the root causes of street vending rather than giving attention to the observed problems. In addition to this, the policies will facilitate to have further studies on the problem since there is little relevant and comprehensive data on the problem of street vending.

1.5 Scope of the study

This study is limited to street vendors in Addis Ababa. This thesis will mainly concentrate on cause and effect of street vendors in Addis Ababa. However, it does not look over all informal sectors rather it only use street vending analyses to investigate propose.

CHAPTER TWO

2. Review of related literature in informal sector

2.1 Definitions and characteristics of informal sector

2.1.1 Definition

Informal sector is "Sector which encompasses all jobs which are not recognized as normal income source which taxes are not paid. The term is sometimes used to refer to only illegal activity, such as an individual earn wages but does not claim them on his or her income tax, or a cruel situation where people are forced to work without pay. However, the informal sector could also be interpreted to include legal activities such as jobs that are performed in exchange for something other than money Opposite of formal sector." http://www.businessdictionary.com/definition/informal-sector.html#ixzz2lvNyVU4X

The informal sector or informal economy 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. The activity allows employers, paid employees, and the self-employed to increase their take-home earnings or reduce their costs by escaping taxation and social contributions. It is means of employment who cannot find a job in the formal sector. But, a loss in budget revenues by reducing taxes. http://web.worldbank.org

Definition of informal sector different in different school of thought and have a lot of definitions in different researchers. So that it is difficult to get one definition on the informal sector because of heterogeneity of nature of the activity however it was widely defined as unregulated economic enterprises (K Hart, 1973).

For instance different observers are described as (Maliyamkono and Bagachwa ,1986) cited in SisaySeifu, (2005) as follows:

Peter Gutmann(1977) has used the term 'subterranean economy' to define all transaction that 'escape from taxation'. Feige defines the 'hidden economy' as one that 'escapes purview of our current social measurement'. Tanzi (1982) defines the 'underground economy' as 'gross national product that, because of UN reporting and/or under reporting, is not measured by official statistics'. Del Boca Forte defines the 'parallel economy' as those activities that are characterized by lack of formal transaction.

An international statistical definition of the informal sector so defined: namely, all unregistered enterprises below a certain size, including

a) micro-enterprises owned by informal employers who hire one or more employees on a continuing basis; and

b) own-account operations owned by individuals who may employ contributing family workers and employees on an occasional basis (ILO, 2002)

For simplification it is better to give definition for informal sector based on characteristics,The known definition given by ILO that the way of the activity characterised by easy to entry mean that not need much training, education and capital. ,depend on local resources; family ownership of enterprises; small scale of operation ; labour-intensive , skills acquired outside the formal school system ; and not officially regulated and competitive markets.

The basic nature of the informal sector units can be summarized have little or no division between labour and capital, self-employed activities with the help of unpaid family members or a few hired workers with low wage than formal sector and without guarantees mean wage level and working condition is unprotected, consists of small scale, at a low level of organization and technology with the primary objective of as means of employment rather growing organization. (ILO, 1993&1998) Street vendors fall within the informal sector and almost all definition of informal sector is defining it.

2.1.2 General Characteristics of informal sector

The informal sector is characterized by a large number of small-scale production and service activities that are individually or family owned and uses labor-intensive and simple technology (Todaro and Stephen, 2003).

Easy of entry, reliance on indigenous resources, family ownership of enterprises or activity operated by the owner with few or no employees., small scale of operation, labour incentive and adaptive technology, skills acquired outside the normal school system, have little or no access to organized markets, to credit institutions, unregulated and competitive markets. (ILO, 1972).

To start with operation in the informal sector depending on its scale of operation doesn't require formal education, procedures and other requirements. Studies covering twenty one African countries show that only a quarter of enterprise in the informal sector acquire their skills from formal school and training centers.(ILO,1985).

"Small-scale activities characterized by self- employment, mainly using self-labor and household laborers (usually less than ten), simple technology, low level of organization and unfixed operation of premises and working hours.''(ILO, 1992c:p.2)

According to CSA urban informal sector survey of 2003 has mainly engaged in marketed production, not registered as companies or co-operatives, no full written book of accounts, less than ten persons engaged inactivity, no license & fixes time of operation, small-Scale operation and usually uses indigenous, local raw materials.

We can categorize characteristics of informal sector based on employment that the people engaged in the informal sector and enterprise that the activities in the informal sector.

Characteristics of the people engaged in the informal sector

- Absence of official protection and recognition
- Non coverage by minimum wage legislation and social security system
- Predominance of own-account and self-employment work
- Absence of trade union organization
- Low income and wages
- Little job security
- No fringe benefits from institutional sources

Characteristics of the activities in the informal sector

- Unregulated and competitive markets
- Small scale operation with individual or family ownership
- Ease of entry
- Reliance on locally available resources
- Family ownership of enterprises
- Labor intensive and adapted technology
- Absence of access to institutional credit or other supports and protections

2.1.3 Specific characteristics of informal traders/street vendors

According to John Mwaniki informal traded are categorized in the levels are Global level-Informal Cross Border Trade (ICBT), Regional level and local level- urban informal traders. Street vendors are categorized local level- urban informal traders with the following characteristics.

Location

Winnie Mitullah (2003) argues traders are choosing place where easily visible to pedestrians & motorists that place at strategic points with heavy human traffic. Such as: main roads, streets, parks, pavements, within shopping centres and corners of streets & roads.

Structures

Winnie Mituallah (2003) describes the traders use different structures. Most of them are use mats, gunny bags, tables, racks, wheel barrows, handcarts and bicycle seats to display their goods. The other traders carry their commodities on their hands, heads and shoulders. Some of them are hang their commodities on walls, trees & fences, and significant of them construct temporary shades to displaying their goods.

Urban informal sector in the public area of cities are particularly in street-based trading, which is usually known as street vendors. These street enterprises are not paid tax, not registered and they involve very visible structures. These economic activities involve simple organizational, technological and production structures. It is ease of entry and small scale of operate where operates in urban area especially take place at heavy human traffic.

2.2 Types of informal sector

Generally businesses categories in four enterprises: illegal enterprises that fully activity related to criminals, subsistence enterprise that use as means of income or for survival, unofficial enterprises who seek avoid or reduce cost and formal enterprises that works based on rule and regulation.

When we become to informality there are different kinds of informal businesses we can categorize

1. depending on the industry that are informal businesses in agriculture, in domestic services, in manufacturing, in construction and commerce, among others.

2. depends on the geographic region rural and urban informal businesses.

3. depends on the size survival business and there are the micro enterprises

We can categorized types of informality based on characteristics broadly in to two. That are substantial enterprises and Unofficial Official enterprises. Table 1 shows characteristics of informal enterprises.

Table 1. Types of informal sector with its characteristics

	substantial enterprises	Unofficial enterprises	
Degree of informality	Completely informal	Completely informal	Partially formal
Types of activity	Street trading, micro-enterprises, subsistence farmer	Small manufacturer, service provider, distributers, contractors	Small and medium manufacturer, service provider, distributers, software firm
Technology	Labour intensive	Mostly labour intensive	Knowledge and capital intensive
Market	Law barriers to the entry, Highly competitive, high product, homogeneity	Law barriers to the entry, Highly competitive, some product, differentiation	Significant barriers to the entry, Established market(product nich)

Source Based on CSD 2003 Paper

On the other hand ILO segmented Informal sector in to three division: Income generating activities, Micro enterprises, and Small enterprises.

The table 2shows the main differences of informal sector segments

The table 2 the main differences of informal sector segments

Income generating activities	Micro enterprises	Small enterprises
• Mixed with household economy • Self- employment (with some help from family members • Little or no fixed assets(less than US$ 500) • Traditional manual technologies • Profits for household	• Mixed with household economy, but shifting towards separation • Up to ten workers • Moderate fixed asset(less than US$ 10,000) • Mixed but obsolete technology • Profits used for household consumption and reinvestment in the firm	• separate from household economy • Numbers of workers 11-50 • Fixed asset up to US$ 100,000 • More modern technology • Profits used for reinvestment in the firm

Source. ILO 2001 cited on AT UMI GDLC (UGANDA) 2005

In 2007, the Latin America division of the World Bank brought out a publication entitled Informality: Exit and Exclusion presented a holistic framework of the composition and causes of informality, as follows:

According to World Bank causes of formality depend on composition that are three pairs of economic agents labour, micro- firm and firms.

1. Labour: do not find formal job that informal sector as a means of income and quit formal job by boss to maximize profit through avoid tax

2. Micro-firms: they do not have plan work with state and they cannot penetrate to the market due to high barriers to entry

3. Firms: seek to avoid costs like taxation and commercial regulations and partially registering their workers and sales

http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2007/06/19/000090341_20070619143652/Rendered/PDF/400080Informal101OFFICIAL0USE0ONLY1.pdf

2.3 Categories and marketing strategy of informal Sector

Maliyamkono and Bagachwa (1986) cited in SisaySeifu, (2005) argue informal sector categorized by social convention are considered as legal in themselves is one category but not in estimate of national income data .And that are inherently illegal and strictly forbidden by Government statutes is another category. Street vendors are categorizing the former one.

Informal sector use different marketing strategy such as change in stock quantity, quality and Varity. The popular strategy among street vendors is decreasing stock. They worried about decrease quality of product that would have fewer repeat customers. Use another strategy that change in work schedules (change hours in a day and the days they work in a week.) and change in work location, it is not popular for street vendors but common for waste pickers. (Horn, 2009), specifically some city like Mexico street vendors has fixed location. (SERGIO, 1999)

2.4 Causes of informal Sector

The driving force of informal sector are different from one country to another that affected by culture, politics and economic backgrounds. Before we go to specified cases based on countries causes of informal sector theories based on four dominant school of thought. The schools debated on the causes based on the relationship between formal and informal sector. And also are different in countries or industries because of it work different contexts. However some factors apply in most of them is summarize in the following.

1. Lack of Growth

The dualist school belief that the informal sector is include of marginal activities but not related to the formal sector that provide income for the poor and a safety net in times of crisis (ILO, 1972; Sethuraman, 1976; Tokman, 1978). The pushing factor of informal activities is due to a slow rate of economic growth and/or a faster rate of population growth industrial

sector cannot created job opportunity for surplus labour. According to the dualist school causes of informal sector is lack of growth. (Chen, 2012)

developmental theory says labour shifts from agricultural to manufacturing industry however underdeveloped countries like north America, Asia and Africa the growth of industry is not sufficient to give employment opportunity for all unemployed and then informal sector(trade, casual work) as bridge of labour shift one sector to another and as a secondary source of income. and Marginality exist in capitalist economy that is difference between industrial reserve army and marginal population lades to insufficient demand labour as a result labour join to informal sector to survive with low income or as self-employed.(Omar E,2006)

2. The nature of capitalist development

The structuralist school notion that the informal sector consider as subordinated for formal sector and also forms of production are connected and interdependent. And workers that serve to reduce input and labour costs and then increase the competitiveness of large capitalist firms. Sostructuralist believes that the cause of informality in production relation is the nature of capitalist development (Moser, 1978; Castells and Portes, 1989). Monopolistic practice has own roll to increase informal operators that use street vendors to increase sales. (**Omar** E, 2006)

3. Government rules and regulations

The cause of increment of informal sector is tax burden, as we know neoclassical economic model if marginal tax increase, substitution effect that people choices leisure than work as same as people substitute informal sector by reducing working time from formal sector. (BoyanBelev, 2013)

The legalist school notion that the informal sector considered as the reaction of micro-entrepreneurs. Due to over government rule and regulation who chooses to operate informally in order to avoid the costs, time and effort of formal registration (De Soto, 1989cited on chen,2012) .

4. Choice of illegal operation

The il-legalist school, subscribes to the notion that informal sector driving by entrepreneurs purposely want to avoided costs of formally operating that regulations fee, taxation water and

electricity cost. So that the school belief that the causes of informality is entrepreneurs choose operate illegally. (Maloney, 2004 cited on Chen, 2012)

5. The Pattern of Economic growth

Martha Alter Chen and Marilyn Carr (2001) argue the pattern of economic growth are the main factors of informal sector. They describe in the following pattern.

A. little or no economic growth

Not enough jobs are created for all those seeking work. Many frustrated formal job seekers find employment in the informal economy.

B. capital intensive/jobless growth/

Capital intensification leads to a reduction of the work force, or what in the US referred to as'' dawn sizing'' workers who cannot find attractive jobs in the modern sector typically join the ranks of unemployed of the informally employed. (Chen, 2002)

C. 'High-tech' growth

It tends to create more high-skill service sector jobs than lower-skill manufacturing jobs. In such contexts, those without the skills to compete for high-tech formal jobs find work or continue to work in the informal economy. The small business and micro-business sectors are create more jobs than the formal sector.

6. Economic restructuring and Economic crisis

Economic crises lead to increased unemployment through loss of jobs in the formal economy and to increased employment in the informal economy. Greater number of people who lost their job turned to vending as a possible source of income and in respond to inflation. That's why when enterprises are downsized or shut down, due to **Economic restructuring and Economic crisis** the workers who are laid-off and cannot find alternative formal jobs often end up working in the informal economy.(Chen, 2012)

7. Globalization

John C.(2000) argue that current change in global economy is associated post modernity and postmodernism is more open to informal sector to function in the economy as incubators for

new businesses. When the global transformation from modern economy to post-modern economic system informal sector also transfer from as inefficient to as source of growth and flexibility.

The conditions of globalisation favour and information links large companies and the competitive pressure encourages employment contract flexiblisation by sub-contracting, workers to piece-rate or casual arrangements became shift formal wage workers to informal employment arrangements without minimum wages, assured work or benefits (International Labour Office, 2002).

Martha Alter Chen and Marilyn Carr (2001) argue that Global trade and investment are one of the cause to increase informality to increase their global Competitiveness, investors are moving to countries that have low labour costs for production and distribution through global commodity chains. Globalization also tends to privilege large companies who can capture new markets quickly and easily to the disadvantage of small and micro entrepreneurs who face difficulties gaining knowledge of emerging markets. In sum, globalization puts pressure on low-skilled workers and petty producers by weakening their bargaining power and subjecting them to increasing competition. John Mwaniki also describes globalization as factor of informal sector increment. He argued that globalization is driven by information technology and free flow of capital around the world. Africa is disadvantaged due to low levels of technological investments and capital accumulation this leads to poverty by decrease term of trade and GDP. By this impact the dependency levels are high as a result several people are shift to the informal sector to earn a living.

8. Rural-urban migration

Todaro (1981) argues many factors are for rural –urban migration in developing countries such as social factor, physical factors including climate, demographic factors including rural population growth, cultural factors and communication factors like improved transportation, modernization impact: Radio, Television and the Cinema. Also creation of one job in the formal sector is attracts more than one migrant. Due to push and or pull factor of migration the rate of migration from the rural to the urban area will greater that of the number of jobs generated by the formal sector.The Todaro Model shows, so the urban informal sector has been able to generate employment for them by using labour-intensive technologies. This is directly opposite to Lewis model that his assumptions that the level of industrial growth and

urbanization is more than that of the population and that the rate of migration from the rural to the urban area will equal that of the number of jobs generated by the formal sector. (all the surplus rural labour is absorbed in the new industrial sector)http://economics-exposed.com/rural-urban-migration-models/

Hayat, (2000) argues that case of informal sector is agricultural sector. Agricultural sector was unable to accommodate the rapidly growing labour force in the rural areas. This resulted in higher rate of rural-urban migration particularly to most of them, lack skill and education coupled with the failure of the formal sector to generate additional employment, forced to participate informal activity which found to be the immediate and livelihood.

9. Trade Liberalization and Poverty

The Least Developed Countries Report, Trade liberalization is often associated with booming urban informal sector. The existences of poor people in most urban corners as well as rural villages of developing countries also justify the existence of the sector. Because the informal sector is a sector of ''the poor, by the poor, for the poor'', selling survival goods to cater the needs of poor population. Most of this people spend their income on food items 70 to 80 % with an increase in urban poverty and demand for survival goods, the informal sector continues to expand (Hayat, 2000).

10. Social and other factors

Compared to other low-wage urban jobs like daily labourer, housemaid, etc. most choose it part to its freedom from extra burden from their employer, to its simple operation and irregular and flexible working hour so as to fulfil social obligations and home works, etc. (Webster &Fidler,1996).Excessive and inefficient Government regulation**,** it is costly barriers and stifled formal economic activities. And failure to institute adequate legal and institutional control mechanisms; it is weaknesses of Government in the informal sector operation. (Maliyamkono and Bagachwa, 1986). Cited in SisaySeifu, (2005)

Why people motivate to participate in to informal sector is easer opportunity-and/or necessity-driven as dualistic point of viewed it can considers necessity strategy but also choose to participate in the informal economy because they need freedom of operating their own business; they have flexibility in determining hours or days of operation; they can use and develop their creativity. (WILLIAMS, 2009)

Labours work in informal sector is not always does mean lack of jobs in other sector, some informal sectors is traditional in urban society. (Arizpe, 1977)

2.5 Obstacles and Constraints and risks

Employs in informal sectors has unsecured and work with low wage and poor working condition, informal sector exploitation higher than formal sector that work more than 10hour work per day and one half wage get with same productivity.(S. P. Kashyap and Himal Singh,1987)

Salary Workers leads to Uncertainty in terms of future earnings , Uncertainty in terms of contract renewal, Lack of basic benefits (severance pay, overtime, unemployment benefits, sick leave) and social protection , Long working hours, work accidents, Absent workers' organisation, and also Self-employed with Uncertainty in terms of enterprise survival and High indirect operational costs. (OECD, 2008)

Informal sector or traders are facing a lot of financial and non-financial obstacles and constraints. That are suffer a lack of legal protection, endure restricted access to capital and business support

Within the informal economy are faced problem here are some of the main ones, as they affect local government.

- Poor infrastructure. Poor infrastructure affects street vendors, they needed infrastructure includes formal markets, transport, storage space, water and electricity.

- Poor Access to finance and banking.

- Lack of training. .

- Lack of access to economics of scale.

- Low Demand

http://info.worldbank.org/etools/docs/library/166856/UCMP/UCMP/main_problems.html

The above problems are clearly face on activities of informal sector (informal enterprise problems). On the other hand employees who work in informal enterprise are working with a lot of disadvantages. Including,

- No social benefits: any pension, insurance or health insurance scheme.

- Under minimum wage that difficult to make any savings

- Non- appropriate working conditions: little or no job security, unprotected by labor laws, odd working hours, illness or injury due to working without safety.

http://www.ifwea.org/@Bin/217843/Gerxhani.pdf

The informal sector is often ignored and in some respects helped and in some harassed by the authorities, enterprises and individuals within it operate largely outside the system of government benefits and thus have no access to the formal credit institutions and the main sector operate illegally, (ILO,1972).

Based on different literatures argue that informal sector as whole that activities done out of formal sectors like home based workers, waste pickers, shoeshine, street vendors and so on. More or less they face same problem. But some ways differently affected by depends on special work condition. Specifically when we come to street vendors, According to Lund and Marriott (2005), cited in Martha Chen (2005) Street vendors are;

- exposure to weather – extreme temperatures, wind, rain and sun, poor access to clean water and sanitation from dirty streets and poor drainage, as well as waste produces from other vendors, diseases transmitted by vermin,

- lead poisoning and respiratory problems from vehicle fumes,

- musculoskeletal problems associated with ergonomic hazards at workstations and static postures, and

- risk of physical harm from both authorities, members of the public or other traders

The greatest challenge facing street and informal traders is with site of operation and right to trading space, environmental condition, security, transport, municipal services, and finance **(Miltullah, 2003). First,** most of the spaces traders occupy are considered illegal since the spaces have not been set aside for trade. In cases where they are allowed to operate, the spaces are considered temporary and eviction occurs at the will of urban authorities. There are various conflicts relating to their sites of operation. A major conflict often arises when the vendors are required to move in order to give way for planned development. This brings them into direct confrontation with urban authorities and land developers. Most of the spaces the traders occupy have no tenure, and are not allocated and sanctioned by urban authorities. At

the same time, the traders are also in conflict with formal shop owners and landlords who contend that the traders infringe on their businesses and/or premises.

Most of the policies and regulations being enforced on street and market traders owe their origin to colonial policies, which were retrogressive with regards to small scale local enterprises. Street and informal traders require laws that recognize their economic activities as an important component of the urban economy, and ensure their right to trading space.

Second, the spaces occupied by traders are open and expose traders to harsh environmental conditions. Most commodities of trade such as fruits, vegetables and clothes are affected by the rain and sun struck.

Third, municipal authorities have been the major source of insecurity for these traders. The authorities harass, beat and confiscate goods of street vendors without any warning. This does not only threaten the security of vendors but also their customers. A study of cities in South Africa has noted that an insecure environment results in loss of customers, frightens tourists, cripples business, reduces incomes, and generally interferes with trading. During harassments traders lose their commodities with some closing their businesses after losing their capital goods.

Fourth, informal traders have difficult to transport their commodities from their homes and markets to their trading sites. This is because most transport systems do not service the areas where vendors live, and in cases where they do, the vendors can hardly afford the service. And they forced to carry their goods on their backs or to hire handcarts or human carriers to transport their goods. This is complicated further by lack of storage facilities, which makes the traders, carry back to their homes unsold commodities. Fifth, water and sanitation are also not available to vendors and consumers. Street and informal traders operate without access to water and sanitation. The majority of vendors rely on unsafe water sources, unsanitary methods of refuse disposal and use of open spaces as sanitary facilities. Others obtain services from their homes or nearby residential areas. Even cleansing services provided by urban authorities are inadequate and do not cover trading areas of street vendors.

Sixth, financial constraint is the most problem of the informal sector, both insufficient capital and no source of credit.

Seventh, lack of technology, the required human and financial capacity informal sector lack information but information is necessary for capital building, product improvement and managing the marketing strategies.

2.6 Effects of informal sector

2.6.1 Importance of informal sector in the economy

The main importance of informal sector is the sector as 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 labour market in many countries especially 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 labour force in the urban areas (Hussmanns and Farhad, undated).

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 41.4% in Ethiopia.http://www.ilo.org/global/topics/employment-promotion/informal-economy/lang--en/index.htm

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 paid work can have a positive role in peoples' lives, keeping them from poverty, and the development of confidence and skills, and building social capital (Travers, 2000).

The sector plays important role of income distribution, make active competition, exploit market functions, improve productivity and technical change and finally creates economic development.

According to Llanes M and Barbour A, Hatcher M, (2007),Copisarow R and Barbour A, (2004), Neale, E. and Wickramage A,(2006). The positive consequences 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

It minimizes costs of customers due to minimize their cost by absence of taxes, social security contribution, and obligatory deduction and work regulations. (Maliyamkono and Bagachwa, 1986).cited in SisaySeifu, (2005).

The importance of informal sector is providing income and employment many of 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-agriculturallabour force is in the informal sector and street vending share a significant portion of that work force. (Martha Alter Chen and Marilyn Carr, 2001).

The average size of the informal economy, as a percent of official GNI in the year 2000, in developing countries is 41%, in transition countries 38% and in OECD countries 18%.

In Ethiopia informal economy percent of GNP in1999-2000 was 40.3 http://en.wikipedia.org/wiki/Informal_sector

The informal sector is a persistent economic feature of most developing economies, contributing significantly means of employment, production, and income generation. Recently, in developing countries estimates of the size of the informal sector in terms of its share of non-agricultural employment range is roughly between one-fifth and four-fifths and in terms of its contribution to GDP, 25% and 40% of annual.http://web.worldbank.org/

The other study shows the informal sector in 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.http://ledna.org/documents/importance-informal-economy-local-economic-development-led-africa

Even if little attention has been paid to the role of informal sector in development growth and creating jobs, the sector contributes about 55 per cent of Sub-Saharan Africa's GDP and 80 per cent of the labor force. 90 % rural and urban workers have informal job in Africa and most of them are women and youth. The opportunity of informal sector in Africa is mostly for the poorest, women and youth.http://www.afdb.org/en/blogs/afdb-championing-inclusive-growth-across-africa/post/recognizing-africas-informal-sector-11645/

- The informal sector importance particularly in Ethiopia is the same as formal sector by labor absorptive capacity(50.6 percent of urban employed was in the informal sector). (CSA, 2003)

- . The annual average growth rate of the labour force between 1995 and 1990 was 2.3% and 2.4% between 1991 and 2000. While the rates of population growth during the same periods were 3% and 3.3% respectively. Therefore we can understand easily a gap between the demand and supply of labour. on the other hand the rate of urban unemployment in the country, it was 8% in 1984 and 21.2% in 1992 and about 23 % by 2004, three times that of the 1984 (CSA, 1984 and 2004). The formal sector cannot solve this unprecedented unemployment problem. In contrast, the informal sector has become by far the largest employer in urban canter. The labour absorptive capacity of the sector has been over 50% of the total employment (CSA, 2004 and 2004b). Cited in Habtamu, (2012)

2.6.2 Negative impact of informal sector particularly street vendors

Informal sector as a means of urban air pollution and then case of sick on neighbourhoods. Andalso the cause of increase the formal sector payment for pollution imitation tax cause they create pollution higher than formal sector due to nature of activity on the other hand non taxed at all. (Allen, 1999 andSarbajit, 2006)

Street food vendors is a source of unsafely and unhygienic foods, practices of street food vendors in Owerri, Nigeria. study shows that although street foods is Unhygienic condition 23.81%, Preparation Dirty place 33.33%, Reuse oil for frying 72.42%, Personal hygiene Use of apron only 42.86%, Handles food with bare hands 47.62%, Has long finger nails 9.52%, Hair covering only 52.38%, Handling money while serving food 61.90%, Wears jewellery 19.05%, and only 42.86%Where stored In refrigerator others are use Plastic container and Cupboards (Comfort O. Chukuezi, 2010)

Informal sector cannot easily control. This can lead to illegal or unsafe activities that mean no guaranty for health and safety during on production process, storage and selling. And also lead to leas quality and short expiry.

Governments may be concerned about large informal sectors. Because of potentially negative consequences for competitiveness and growth, incomplete coverage of formal social programs and Clutter formal business areas, undermining social cohesion and law and order, and fiscal losses due to undeclared economic activity. For most governments, these concerns outweigh any advantages that the informal sector offers as a source of job creation and as a safety net for the poor.http://web.worldbank.org/

The sector direct negatively affect social benefits. it entails a loss in budget revenues by reducing taxes and social security contributions paid and therefore the availability of funds to improve infrastructure and other public goods and services. It invariably leads to a high tax burden on registered labour. http://web.worldbank.org/

The social and economic negative impact of informal sector activities in different writers such as Llanes M and Barbour A, Hatcher M, 2007),Copisarow R and Barbour A, 2004), Neale, E. and Wickramage, A. 2006)) as follows

- informal businesses create a culture whereby formalized businesses are tempted away from complying with employment law

- informal employment weakens collective bargaining, thereby worsening workers' rights

- tax avoidance and benefit fraud results in a loss of state revenue, which in turn

  Hinders the ability of government to pursue socially beneficial initiatives.

- loss of state revenue may cause a rise in taxes which can in turn encourage an expansion of the informal economy, leading to a descending spiral

- Undeclared work skews statistics (such as employment figures), meaning that public policy is premised on inaccurate information. This may make policies less effective.

  http://www.wikipreneurship.eu/index.php5?title=Informal_economy

Specifically when we try to annualize street vendors, studies shows it has own characteristics and unique features therefore it is good to review separately.

Street vendors often mostly have no receipts and keep accounts, to pay taxes on their earnings, and to adjust sales or value added taxes to their customers. They make "unfair competition" to tax-paying off-street businesses, undercutting their off-street competitors because they pay less overhead and no taxes.

In General Arguments against street vending:

1. Through vendors in the roadway and the lively activity of street sales, crowded sidewalks, and pedestrians displaced onto the roadway may block motorist's sight lines at intersections and may distract motorists from their driving. And then street vendors may cause traffic accidents, increase the levels of vehicle-generated air pollution, and delay the flow of police, fire, ambulance and other emergency vehicles.

2. Street vendors activity where entrance and outdoor from crowded buildings like theaters, stadiums and department stores, may block actions increasing the scale of the misfortune in the event of a major fire, explosion, or other hazardous circumstances.

3. Street vendors may attracting potential purchasers as they walk into a concentration of off-street business customers and activity by catch them attention.

4. Some pedestrians and many motorists prefer to change direction from locations of street vending to walk or drive due to disturbed, irritated and worried by street vendor's solicitations.

5. Street vendors may cause of decline tourist attraction that city cleanliness, beauty and silence .Street may generate a lot of noise with their announcements, and they and their customers often leave garbage on the streets. In the article Street vending and public policy: A global review Bromley (2000).http://www.academia.edu/4826122/Dealing_with_Street_Vendors_in_Public_Spaces

By contrast argued that the informal sector is involved in serving tourists in many developing countries. even so academic literature has not emphasize on economic and social importance of vendors and other informal sectors in tourism economy, little studies confirm

that as avalued aspects of gusts experience and the truism economy and it is fundamental component of developing economy(Dallen J Timeothy,1997).

2.7 Formalization informal sector and its policy

Many research shows the informal economy in developing and transitional countries has significant role on economic development and seek reduce the size of informal economy through formalization.

Informality is different in by activities, size and types of industries. So that benefit from formalization also different. For instance stopping police harassment and get permanent place for business activity is benefit of formalization for street vendors, focusing on the labour market aspects of informality it gives right and better working condition as formal job employees that are freedom from discriminations, minimum wage salary, health care and safety working condition, social benefits,...However, formalization gives benefits almost the whole informal sector are: possibility to limit liability and risk, divide labour, organize internal management of business, have access to credit, have access to larger markets, be able to document contracts and relationships,   have business information,   have security on contracting and enforcing rights and have access to sophisticated technology.

http://www.bg-consulting.com/docs/informalpaper.pdf

Martha Alter Chen (2012) argues informal enterprises, activities, and workers needs the following policies addressing informality

- ➢ creates more jobs
- ➢ Register informal enterprise and regulate informal jobs
- ➢ extend state protection to poor informal workers
- ➢ increase the productivity of enterprise and income of informal work force

Conclusions

Prior literature shows that the informal sector or informal economy is that part of an economy that is not registered , taxed, monitored by any form of government but categorized by social convention are considered as legal in themselves. The main factors determining the reasons to involve in informal sector is lack of job opportunity in the formal sector. The Pattern of Economic growth, Economic restructuring and Economic crisis, Globalization, Rural-urban

migration, Trade Liberalization and Poverty, Easier entry Possibilities , and Social factors are causes to increase the size of informal sector.

Many writers argue that Informal sector in makes a big contribution to developing countries'economies that increased economic growth and employment opportunity that cannot get employment in the formal sectors. Another argument that against informal sectors says that Informal sector cannot easily control. This can lead to illegal or unsafe activities that mean no guaranty for health and safety during on production process, storage and selling. And also could not control quality and short expiry. I think some limitation has in previous study that the sector negative impact of formal trade performances. I believe formalization and modernization of the sector is important anyways.

Street vending is one of informal sector and its researchable area but in the area of study little has been done. Privies studies especially in Ethiopia, seen economic role that is self-employment, contribution of GDP .However, not much studied on negative aspect of the sector almost not on related to formal trading. So, further study will get both contributions in the economy and negative consequences. Therefore, this paper will provide recent statistical data and research findings that should help the donor communities come up with informed answers to these questions. What is the cause, importance, constraint, and risk in street vending, also what is negative impact related to city attractions and formal trade performance. Finally, it indicates solution.

CHAPTER THREE

3. Methodology

Research area description

Addis Ababa is the capital and the largest city in Ethiopia, with a population of 3,384,569 according to the 2007 population census conducted by the central statistical Agency of Ethiopia with annual growth rate of 3.8%. Based on this census Addis Ababa has a total population of 2,739,551, of whom 1,305,387 are men and 1,434,164 women; Although all Ethiopian ethnic groups are represented in Addis Ababa due to its position as capital of the country, the largest groups include by region the Amhara (47.04%),Orromo (19.51%), Tigiray (6.18%), and from SNNPR (20.88%).

The economic activities in Addis Ababa are diverse in trade and commerce, in manufacturing and industry, homemakers of different variety, in civil administration, in transport and communication, in education, health and social services, in hotel and catering services; and in agriculture. According to official statistics from the federal government, some 119,197 people in the city are engaged in trade and commerce.en.wikipedia.org/wiki/Addis_Ababa

3.1 Source and methods of data collection

- **Source of Data**

The main source of data is primary data collected through interview to street vendors in Addis Ababa. And also makes use secondary source like research paper, magazines and publication materials.

- **Types of Data collection method**

This research analysis is categorized in quantitative analysis, used a method sample survey.

Sample survey_ in a sample survey, only part of the total population is approached for data

Advantages_ It use less time and money than a census. And also better monitoring and quality control precision.

Disadvantage_ the data may excluding many other aspects.

The survey was conducted by the researcher herself interviewed 91 street vendors. Locations for survey were spread across the capital. The data for this study were taken into account to get a representative sample of street vendors in Addis Ababa using random sampling technique. There were several main streets in the city surveyed including Sunday market and around to church and they were grouped into seven areas (piazza, 4killo, Megenagna, Mexico, Kasanches, Filwuha, Ambassador). There was no accurate number of street vendors in this city. by using approximation 5000 population and take 95 sample size could interviewed 91 street vendors that were randomly selected and approached for interview.

- **Data collection method**

The survey was using structured interview and individual discussions with the operators. the reason why the method chose take in to account topic and targeted group(street vendors have no permanent address to mail or tell. interview and have no accesses to use social network, ...And difficult circumstance for group discussion)

- Advantages_ accurate answer, build relation of trust (why the data are needed and how it will be kept secure).moreover, they interviewed while at work. Hence direct observation insured responses of respondent.

- disadvantage - expensive(i.e. cost for travel, cost related to time of interviewer, ...)

The questionnaire was prepared in English, but interview is done in Amharic (Ethiopians official language) due to education status of the respondent. Questionnaires for this survey included two groups of questions (characteristics of respondents & information on the activities in the street vending) and the interview cannot record cause of unwillingness of vendors related to lack of trust and it was difficult to due to respondent working behaviour.

3.2 Description of the explanatory variables and Hypothesis

- **Dependent Variable:** a dependent variable of this research is reason of informal operators to become in the informal sector, to measure the dependent variable, I asked the following question: Why do you operate in the informal sector?

The respondents are to choose one of the following

1) It is the only source of income/to seek employment 2) To avoid taxation and registration fee 3) It is highly profitable/to seek high profit 4) be unable to fulfilled minimum requirements for registration to operate formal business.

For this variable determine scale of measurement on operational level was Nominal.

✓ Selected on dependent variable choice number 1) I code to respondent response was' To seek employment' with a "1" for reason of operators to become to informal sector, Otherwise I code this variable"0".

✓ Selected on dependent variable choice number 2) I code to respondent response was ' To avoid taxation and registration fee ' with a "1" for reason of operators to become to informal sector, Otherwise I code this variable "0".

✓ Selected on dependent variable choice number 3) I code to respondent response was ' To seek high profit ' with a "1" for reason of operators to become to informal sector, Otherwise I code this variable "0".

✓ selected on dependent variable choice number 4) I code to respondent response was ' be unable to fulfilled minimum requirements for registration to operate formal business' with a "1" for reason of operators to become to informal sector ,Otherwise I code this variable "0".

The dependent variable of this research is developed based on causal theory of informal economy on 4 different school of thought sited on (Chen, 2012)

➢ The dualists argue that informal operators are excluded from modern economic opportunities due to higher growth rates of the population than modern industrial employment and they have not skills needed for the structure of modern economic opportunities. This implies reasons of informal operator to become in informal sector is to seek employment.

➢ The structuralists argue that informality is due to the nature of capitalism that by reducing cost of production increasing increase competitiveness. This implies reasons of informal operator to become in informal sector is to seek high profit.

➢ The legalists argue that aggressive legal system leads to informal activities. That means cost and time for registration, minimum requirement for registration are driving forces.

This implies reasons of informal operator to become in informal sector is to unable minimum requirement to formally register or due to forceful system.

➢ The il-legalist school believe that the reason operators to become in informal sector is deliberately seek to avoid regulations and taxation.

Independent variable: To create independent variable I asked respondents about the characteristics of them and activities of street vending. Indicator variables (independent variables) for this study are: Age, gender, and migration status, and educational level, number of maintain, and initial capital of respondent.

For this variable determine scale of measurement on operational level; scale measure select on number of maintain for economical dependent of respondents' and number of years for Age of respondents' ,ordinary measure select on number of years for educational level of respondent and amount of money for initial capital of the activity. When the response of respondent that the question was what is your educational level? respondent answer was illiterate (<1) coded 1, respondent answer was 1 to 6 coded 2, respondent answer was7 to 8 coded 3, respondent answer was 9 to 12 coded 4 respondent answer was 12+ certificate coded 5, respondent answer was 12+diploma coded 6, respondent answer was 12+Degree coded 7; the question that How much was your initial capital (Birr)? To bought fixed asset for your activity and to buy commodities for resale. respondent answer was ≤ 5000 Birr coded 1, respondent answer was 50001 - 10000 coded 2, respondent answer was >10000 coded 3; nominal measure select on respondent gender that coded "0" for female, "1" for male; also nominal measure select on respondent migration status that coded "0" for non-migrant, "1" for migrant.

This variables are chosen on bases of relationship of theories of informal sectors that are:-

➢ **Relationship between migration and informal sector:-**
  Rural-urban migration- the rate of migration from the rural to the urban area will greater that of the number of jobs generated by the formal sector. The Todaro Model shows, so the urban informal sector has been able to generate employment for them by using labor-intensive technologies (Todaro, 1981)

➢ **Relationship between maintain and informal sector:-**

Social obligation-most choose informal sector part to its freedom from extra burden from their employer, to its simple operation and irregular and flexible working hour so as to fulfil

social obligations and home works, etc. (Webster &Fidler,1996).specially have more in number of maintained have more social obligation than non-maintained.

- ➤ **Relationship between Education, capital and informal sector:-**

  The main characteristics of informal sector are small scale of operation, skills acquired outside the normal school system, (ILO, 1972). I tried to relate to this Educational level and initial capital of respondents.

- ➤ **Relationship between age, gender and informal sector:-**

  Some writers associate informal sectors with age that and others with gender that majority of informal operators is child (young) and women respectively. For example the majority of women in both rural and urban areas of India are employed in the informal sector. R (Chhabra, 2003). Majority of those left out from formal job opportunity structure are women's. City (lourdesarizpe, 1977)

As a reflection of above relationships, following hypothesis are build:

Hypothesis 1. Women respondents has higher probability of reasons of informal operator to become in informal sector than men.

Hypothesis 2. Age has negative effect on reasons of informal operator to become in informal sector.

Hypothesis 3. Migrant respondents has higher probability of reasons of informal operator to become in informal sector than non-migrant.

Hypothesis 4. Level of education has negative effect on reasons of informal operator to become in informal sector.

Hypothesis 5. Number of maintain has positive effect on reasons of informal operator to become in informal sector.

Hypothesis 6. The operator's initial capital has negative effect on reasons of informal operator to become in informal sector.

3.3 Method of data analysis

Both qualitative (categorical) and quantitative (numerical) methods of data analysis were used.

The initial of data analysis is descriptive statistics. In this stage the questioner were coded and analysed using Ms-excel computer program and techniques used frequency percentage, cross tabulation ,figures and descriptive analysis to give picture of the data and to show summary of the analysis and to facilitate interpretation of the data.

The main data analysis is inferential statistics to test hypotheses and relating finding to the sample or population. In this stage questionnaire was edited, coded and analyse using SPSS computer program and technique used logistic rogation analysis. In the main stage of analysis we can see finding that relationship of dependent variables and independent variables based on hypothesis test. This dependent variable is not continuous so that logistic regression analysis is good method.

CHAPTER FOUR

4. Data analysis and Discussion

The analysis is made by examining the personal characteristics of street vendors like education status, number of dependence, marital status, age, sex, origin and reason of migration; investigate business activities like initial and source of capital, choices of location and reason of involving street trading, constraints, shocks and risks in street operations.

4.1 Descriptive analysis

To highlight the major results of the survey, summary and brief description on some of the survey results are given in this initial analysis. However, the detailed hypothetical test, reason that people operate in the informal sector with different factors. Such as gender, age ,number of dependents ,educational level, migrant status, and start-up capital are presented in the main analysis(inferential analysis)

4.1.1 General characteristics of the sample street vendors

Figure 4.1 Distribution of respondents based on place of birth
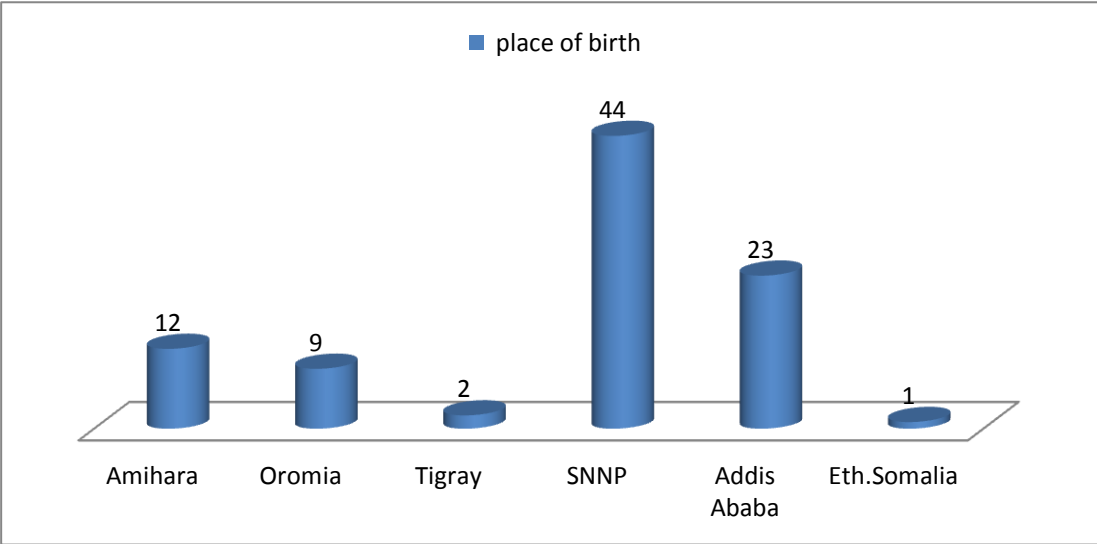
Source: own survey data

Figure 4.1 presents total size of persons engaged by place of birth. As shown in this figure many of those are previously they live another region(not in Addis Ababa) we can called as internal migrants mean that they migrate from rural area to urban, the result of this survey indicates that of the total 91 sampled street vendors, 68(73.3%) vendors were migrants while

23 (26.7%) vendors were non-migrants. The origins found in the sample are SNNP, Amhara, Oromia, Tigray, somali in the proportion of 48.35, 13, 19, 9.89, and 2.20 and1.10 percent respectively. Based on sample survey most of migrants come from SNNP and followed by Amhara and Oromia region others are almost not participating street vending in Addis Ababa.

Figure 4.2 reason of migration
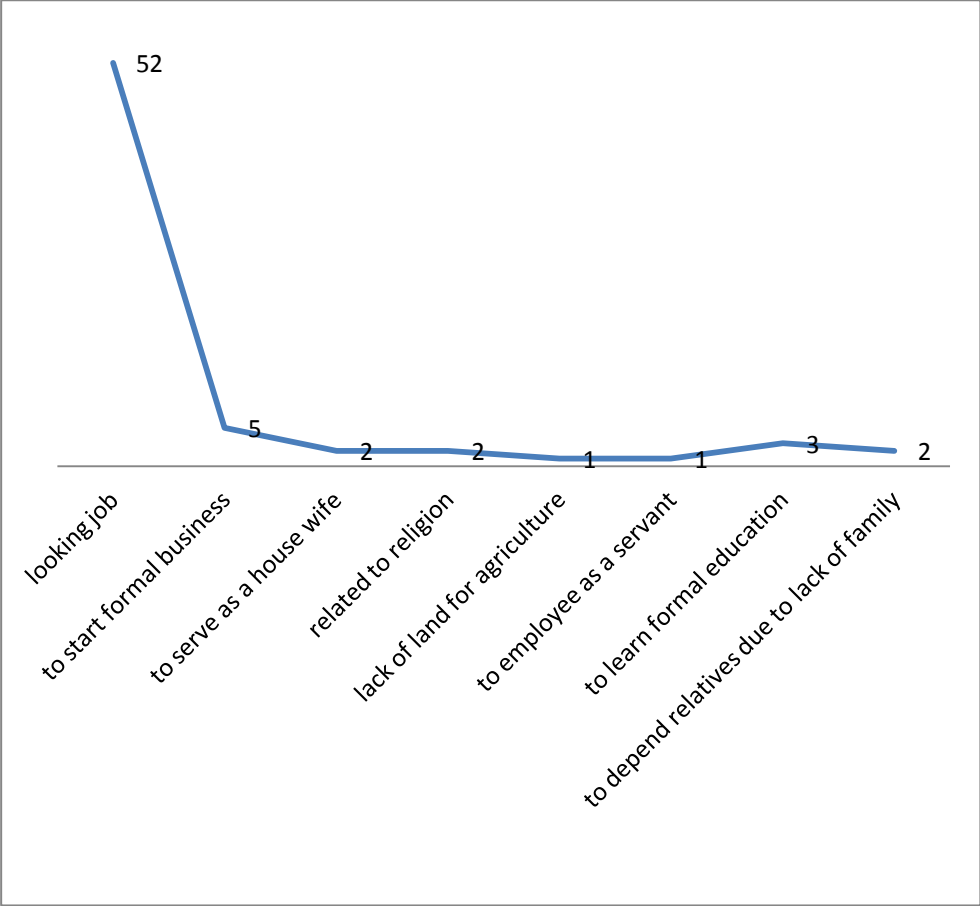
Source: own survey data

The study result also investigates reason of migration, the majority would reply it was research for better job. About 76.47% of the migrants in the sample survey were researching for jobs. The rest was said it was to start formal business, to learn formal education, to serve as a house wife, related to religion, lack of agricultural land, and to employee as a servant 4.41%, 2.94%, 2.94%, 2.94%, 1.47%, 1.47% respectively.

When we come to gender, Figure 4.3 reveals that most street trades are conducted by men (66%). The rest are women (34%) who operated their business during the day and night.

Figure 4.3 operators classified by gender

Gender
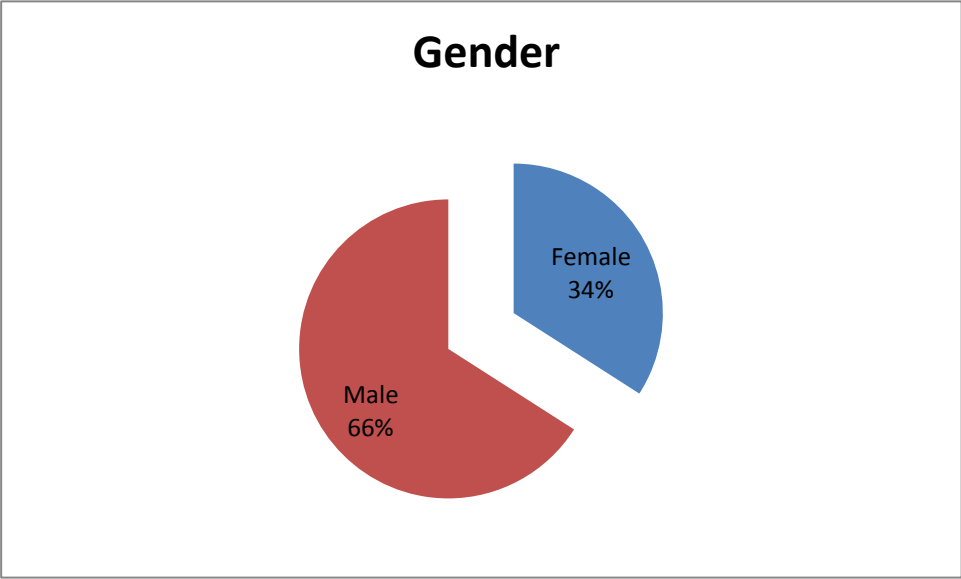
Source: own survey data

The next chart shows number of economical dependent reasons that live together with the vendors.

Figure 4.4 Respondents' dependents in number
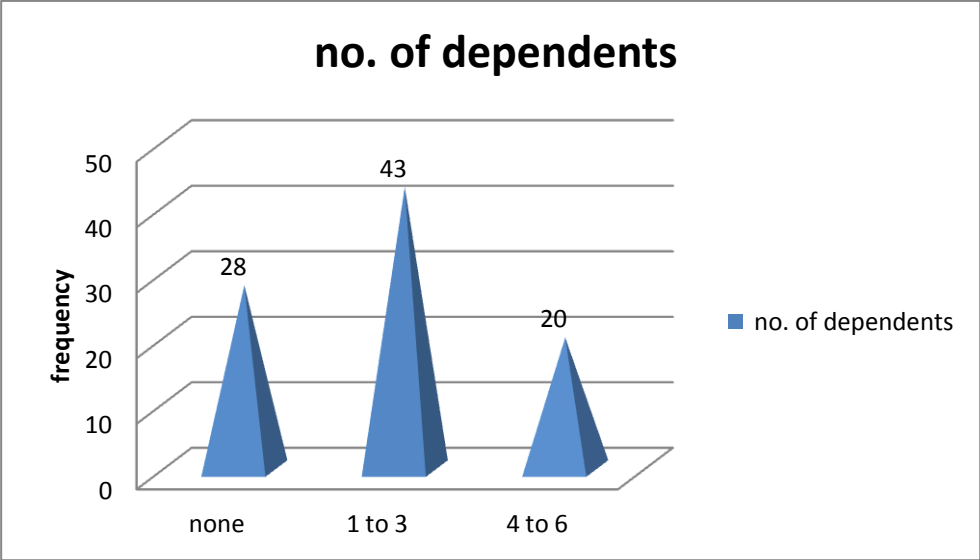
no. of dependents

Source: own survey data

Of the total sample vendors 47.25% have 1-3 dependence and 21.98 % have 4-6 dependence. This study shows 69.23% of the sample survey has at least one dependent. Based on the

result, the average number of dependence was 2, maximum and minimum number of dependents in respondents were 6 and 0 respectively and total in number are 170 that means we can see economic importance of the sector beyond survival of operators.

4.1.2 Demographic and education status of respondents

4.1.2.1 Age of the respondent

The age group ranging 20-39yr comprised 80.22% of the sampled vendors.Ageis one of decision factor in the street vending. The active participant of the labour force that is a lot young (15-19 years of age) compare to old age (above 50 years old) represents about 12 % and 1% of the sample respectively. The young are more interested to survive and accumulate capital.

Figure 4.5 Age group of the sampled street vendors
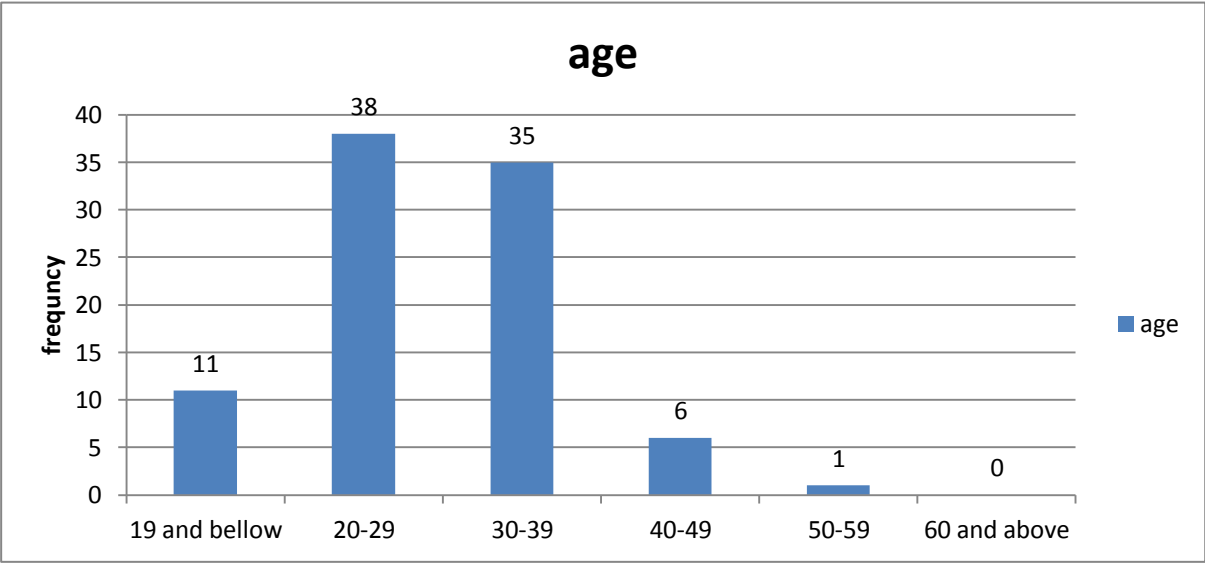
Source: own survey data

On the other hand middle age group that are 20-29 is higher number in participant to operate in informal sector and followed age grouped 30-39. These are grouped are high risk taker and ready to fight hardship of bad working condition that of harassment from Government officials ,obstacles and constrains than age grouped more than 40 years.

This study shows that vendors whose age is between 20-39 are 80.22% of the sample survey. From this result it can be seen that persons between this ages are highly motivated and risk taker and ready to fight hardship of bad working condition that of harassment from

Government officials ,obstacles and constrains of vendors. When age increased above 39 the interest might be highly decline. This means that as age increases to certain level, individuals don't resist for vendors hardship (who are risk averse); as table 4.1 show as the average age of street vendors is age 30. The age of the sampled vendors ranges is 38 (from 15 to 53 years) means minimum age of participant is 15 and maximum is 53.

Table 4. 1 ungrouped age distribution of respondents' statistical summary

descriptive statistics summary on age	Column1
Mean	29.5714286
Standard Error	0.85522782
Median	29
Mode	30
Standard Deviation	8.1583534
Sample Variance	66.5587302
Range	38
Minimum	15
Maximum	53
Sum	2691
Count	91

Source: own survey data

4.1.2.2 Educational Background

Educational Background is one of decision factor of vending. The survey shows that number of vendors decrease when education level increases since they have better job opportunities in

the formal sector. On the other hand those who are less educated have less opportunity in the formal sector and hence they participate in informal sector.

Figure 4.6 Educational level of the sampled street vendors
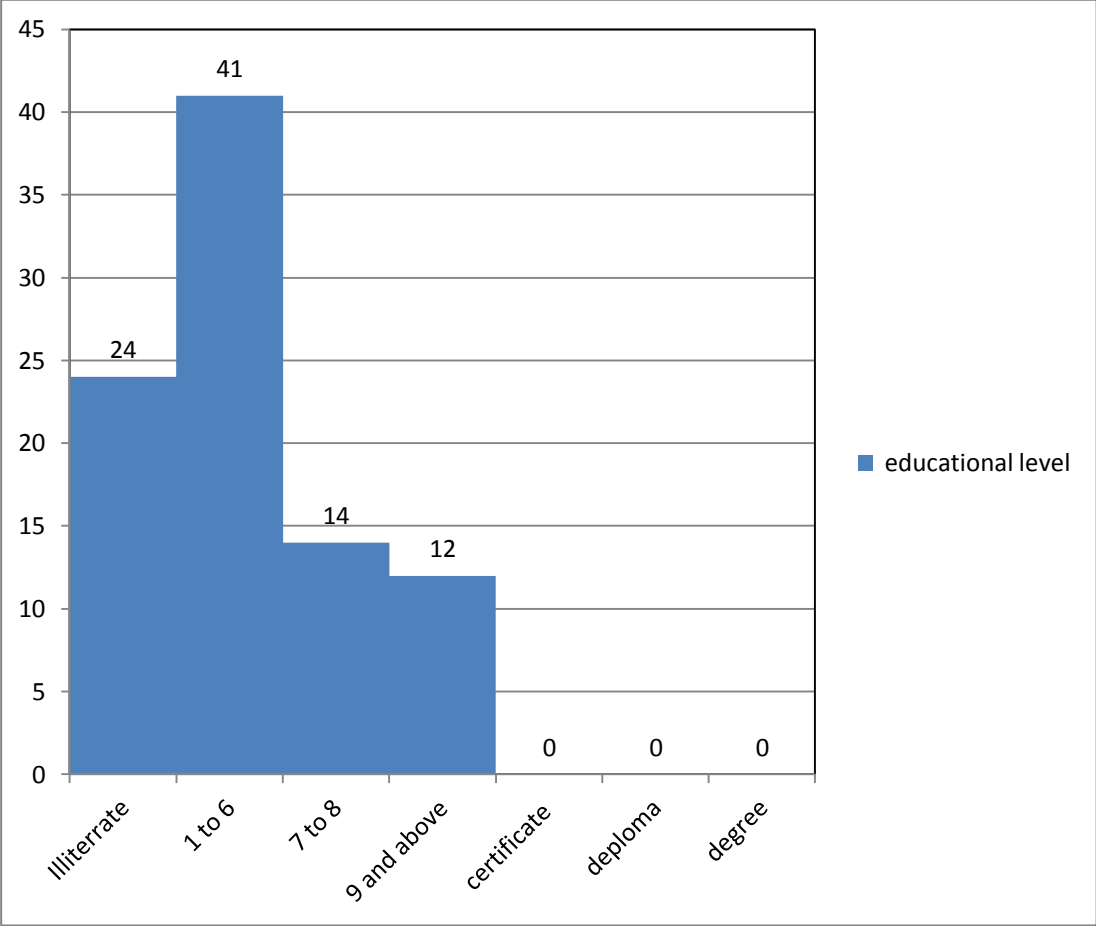
Source: own survey data

Of the 91 street traders, only 14.29 percent had participated high school, none of the respondent joined university. 85.71% of the survey sample is less than grade 9, (26.37% of the respondent are illiterate). However, those who are completed their higher education are less motivated to vendors because they have high employment opportunities relatives to those who are not completed their education.

4.1.2.3 Marital status

The survey indicated that almost numbers of married respondents' are the same as single. Figure 4.7 shows that from 91 respondents 46 are married and 42 are single. As a result marital status is not major factor to decide involving street vending.

Figure 4.7 Martial status of the sampled vendors
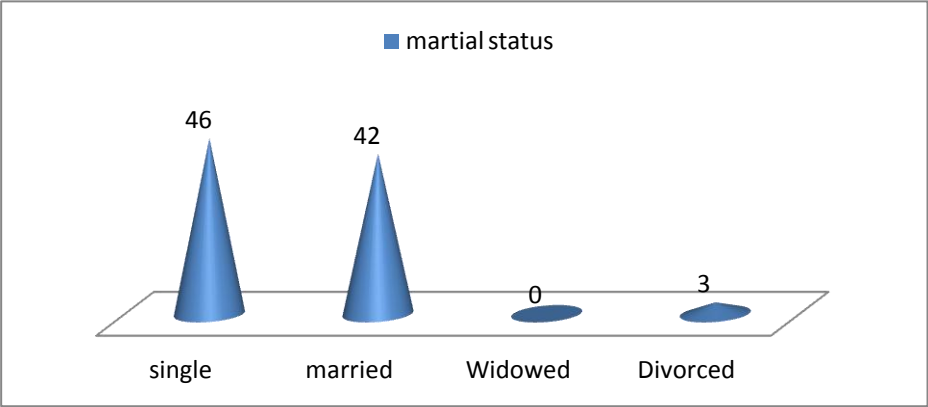
Source: own survey data

4.1.3 Business Activity and Reasons for Street Trading

4.1.3.1 Business Profiles of Street vendors

This study has focused on the informal market only trading in street which items include sweet, cigarette, soft paper, new and second hand clothes, plastic and leather shoes, ear ring, hair band, kitchen goods, bag, 'Gabi', 'Netela', spice, sweet, old books, magazines, newspaper, head dress, sock, spiritual books, pictures, underwear, shower cap, soap, … and operate their business on the main street, walkway, entrance of school and universities, around of market place, at bus station and adjacent to churches, mosques, movie hols

Street traders in around a church, for example, are more likely to sell spiritual books, candle, 'Gabi', 'Netela', shoes, most vendors who located around school, universities, movie holes to sell ear ring, hair band, 'Gabi', 'Netela', sweet, old books, magazines, newspaper, Some vendors located around to sauna base to sale shower cap, soap, towels, shoes, others who locate around to bus station and market. This reflect that street traders have market awareness.

Market structure of street vending is perfectly competitive; homogenous product with competition on price. The price of street vendor's item of product are cheapest compared to formal business. Street vending has high demand because of economic low (low of demand and price specifically on inferior goods) so then the main consumers comes from low income groups.

Table 4.2indicates that majority of traders (65.93%) were selling shoes and clothes including cultural like 'Gabi', 'Netela' and head dress, sock, underwear, followed by Sweet, cigarette was selling 16.48%.

Table 4.2Distribution of commodities

Item of commodities	Frequency	Percentage of the total
Sweet, cigarette, soft paper, …	15	16.48
New and second hand cloths	27	29.67
Plastic and leather Shoes	17	18.68
Ear ring, hair band, …	3	3.30
Kitchen goods	7	7.69
Bag, wallet, …	2	2.20
'Gabi', 'Netela', …	7	7.69
Spice	1	1.10
Old books, magazines, news paper	2	2.20
Head dress, sock, …	2	2.20
Spiritual books, pictures, candles, …	1	1.10
Underwear, Shower cap, soap, …	7	7.69
Total	91	100

Source: own survey data

4.1.3.2 Prior position of respondent

Experience is one of the most important factor to any type of activity. The study find out that, Out of the total participating in street vending activities 42.86% was participated in another informal trade, some are previously as a farmer. And also 50.55% was student and

dependence who was not work experience when starting their operation. This result indicate easily participate in street vending activities, has no require work experience and easiest solution of unemployment.

Table 4.3 Prior position of the sampled vendor

Position	Frequency	Percentage of the total
Student	34	37.36
Employee	4	4.40
Dependent	12	13.19
Self-owned formal sector	2	2.20
Others/informal trader &farmer/	39	42.86
Total	91	100

Source: own survey data

The next chart shows that only few respondents shift from formal sector to informal.

Figure 4. 8 Respondents' previous position
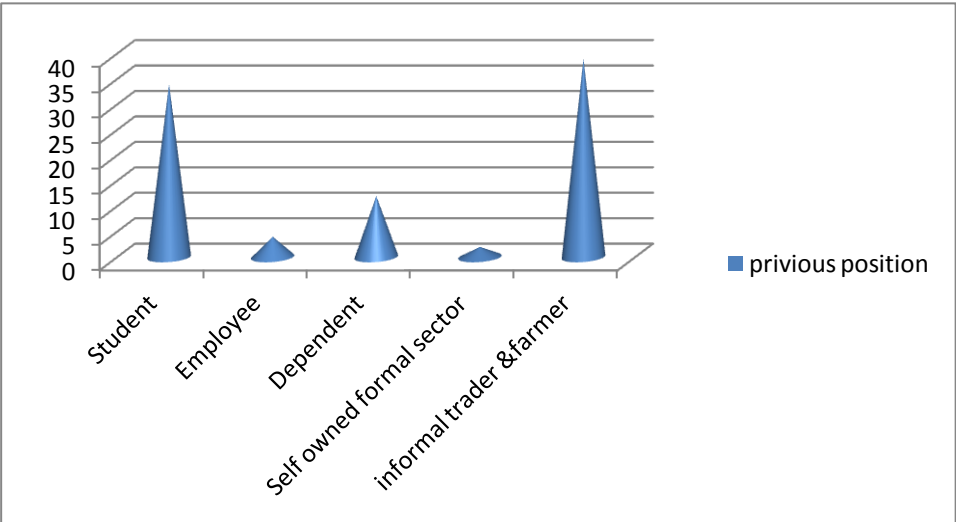
Source: own survey data

4.1.3.3 Reasons for involving in the street vending

The majority of respondents perceived that they become informal sector because of the difficulty of entry into the formal sector that unable to fulfil minimum criteria of the sector or alternatively, due to the ease of entry into street vending.

Figure 4.9 Respondents' reason of operating in the informal sector

Reason of operating in informal sector

It is the only source of income 31%

To avoid taxation and registration fee 1%

It is highly profitable 1%

Has not fulfilled minimum requirements to operating in formal sector 67%
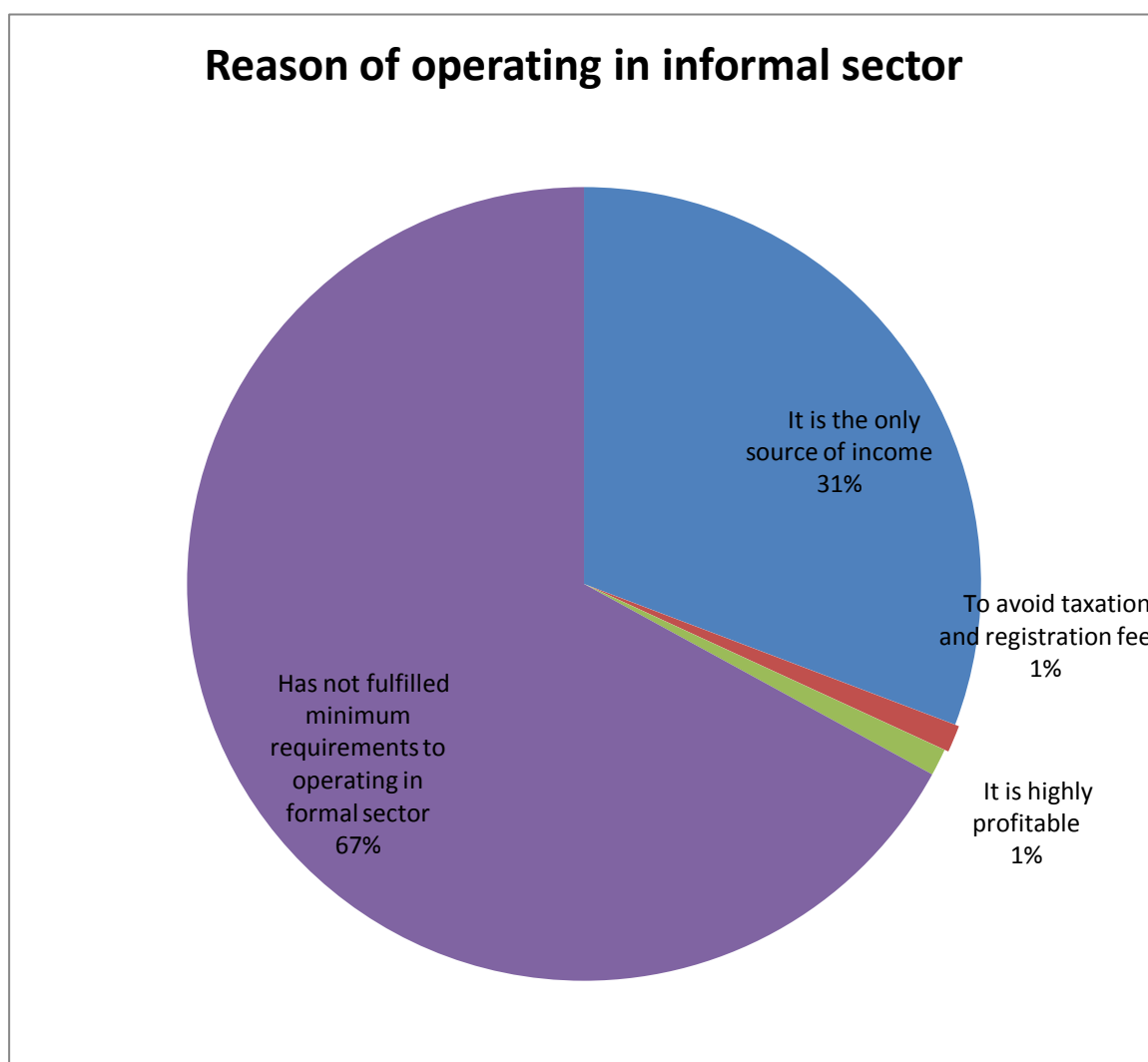
Source: own survey data

31 % of respondents that they participate in street trading because of the excluded on the modern (industrial) job opportunity and no other alternative as a means of income. The rest only 2% of respondents seek high profit and avoid tax are reasons of participating in the informal economy.

4.1.3.4 Choices of location, amount and source of initial capital

In Addis Ababa street vendors choice of location in general that of to selling goods was on around the market, shopping area, bus stations and the main walkways, at the entrance of schools, universities, and hospitals, Churches, Mosques and movie halls.

Table 4.4 choices of location the sampled street vendors; Source: own survey data

Choice of location	frequency
Near to customer or market & near to home	20
To escape harassment from Gov. and private shop guards	23
Other /plot located by municipal authority, only weekend/	30
Multiple reason of choices(neer to customer,home& to escape harasment)	18
Total	91

The result of the analysis presented in Table 4.4Show vendors particularly choice that location to vending, that was the plot located by municipal authority (32.97%), to be the most important factor influencing their location for business activities but they are not satisfied by their location. According to respondent they cannot sell all days and which are not suitable market area, which is followed by lack of alternative sites (19.78%). The table also shows that avoiding harassment from security, near to customers, and proximity to house is important for street traders' decision in selecting their workplaces.

As can be seen from figure 4.10 initial capital less than ETB 5000 had 85.71%. According to the study the sampled street vendors' initial capital had from 5000-10000 ETB had 1.10%. The most start-up capital was less than ETB 5000, while the maximum start-up capital (above 10000ETB) had only 13.19%.

Figure 4.10 initial capital of operations'
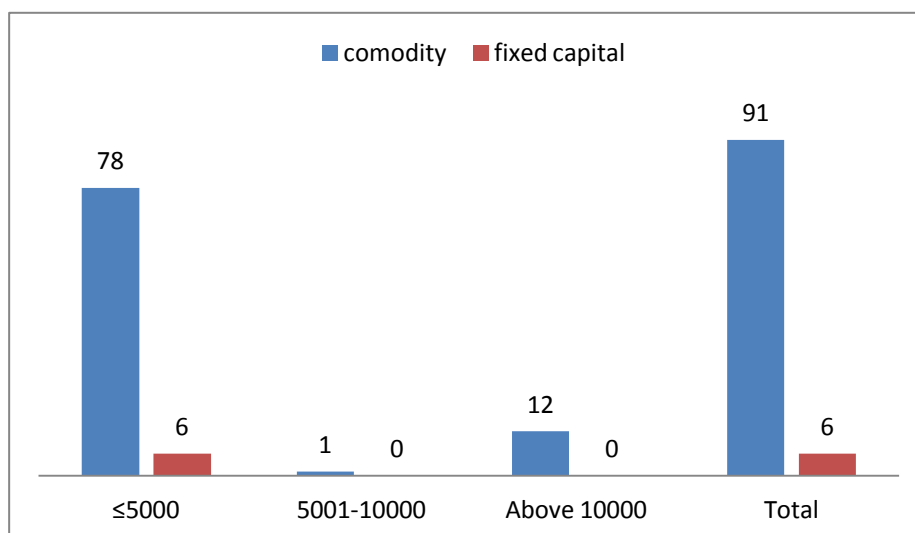
Figure 4.10 shows majority of vendors use only initial capital for commodities, of all (91) respondents only 6 require fixed capital.

The most alternative source of finance of the sampled vendors was borrowed from friends or relatives with above 35.17% of the respondent, followed by 'Equib' and assistance of friends or relatives 12.09%, and 24.18% respectively.

Figure 4.11 Sources of Start-up capital
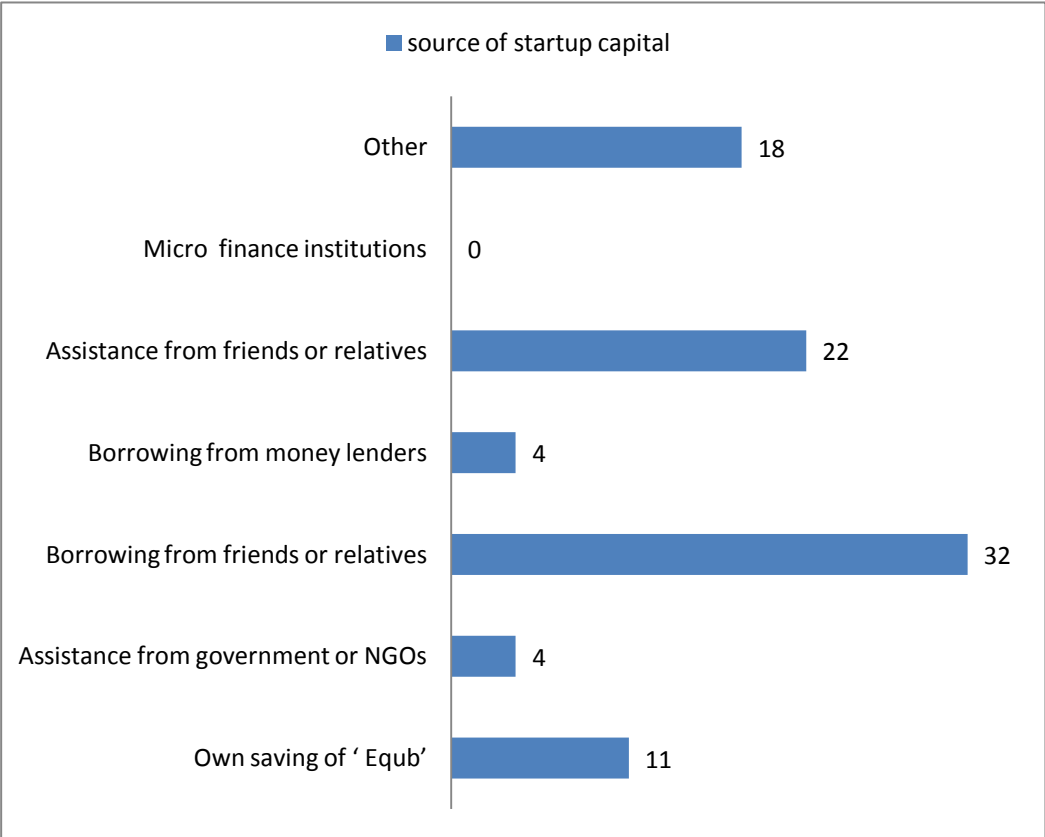
Source: own survey data

The study shows out of all interviewed the capital of vendors made up of only 4.4% were supported by government/NGO.

4.1.3.5 Additional income and customer

Figure 4.12 shows that when the respondents were asked "Have you worked additional income source?" only 6 out of 91(6.59%) respond that yes, they have another means of finance that have additional work beside to street vending. Based on this result, street vending is played an important role as means of employment for majority of respondent.

Figure 4.12 Respondents' additional source of income

Additional source of income

Have done
7%

None
93%
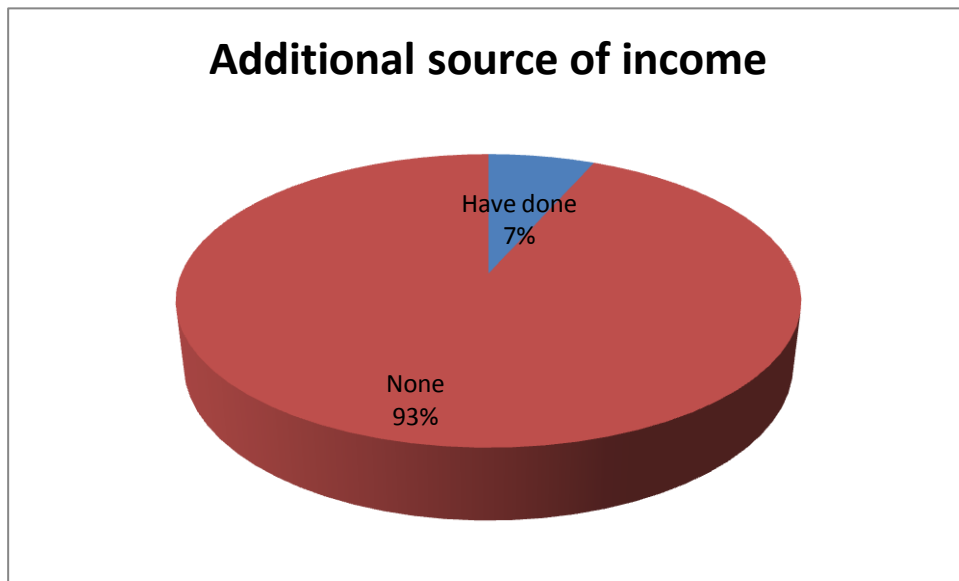
Source: own survey data

On the other way, The study reveals vendors types of customers based on self-reporting, majority of low income groups, few from high and the remaining both high and low income group . This is the fact that the main customer of street vendors come from low income group. Because street vendors use necessary goods and services at cheapest price and choice location near to customers to selling goods to the urgent needs of poor people. And this ensure the literature that urban informal sector is the sector " the poor by the poor for the poor".

Figure 4.12 Customers standard of living; Source: own survey data

customers standard of living
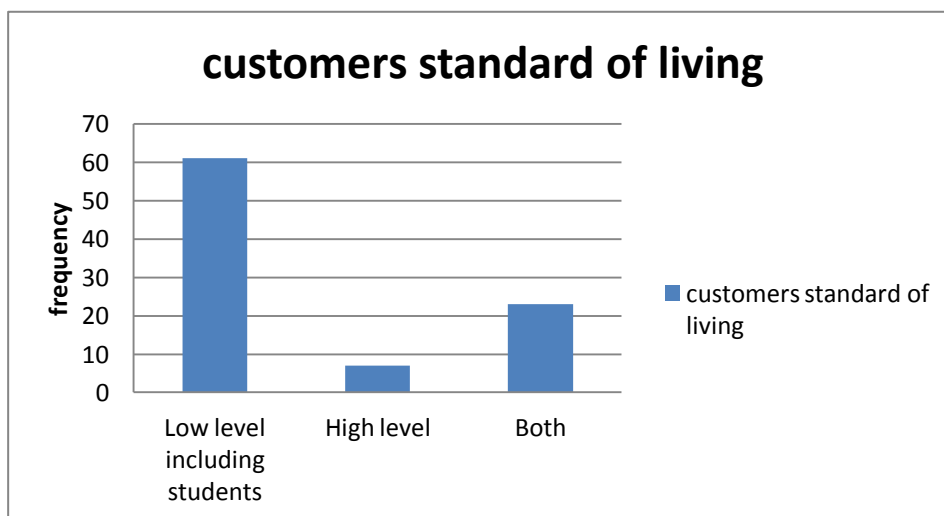
Source: own survey data

4.1.3.6 Problems of informal sector at start-up and during of operations

During the survey period, information on problems meet when starting activities and types of difficulties faced during operation were collected from each sample operator. The final results obtained from the survey on these questions are presented in Tables 4.5 and4.6.The result refer to difficulties Faced when Starting the Operation; 29.67% of the sampled street vendor's was lack of start-up capital, followed by harassment from government police and private shop guards (18.68%). On the other hand inadequate skill, lake of demand and lake of experience was minor portion of the result.

Summary of difficulties of street vendors during operation are presented in Table 4.6. As the survey results indicate. Harassment from government police and private shop guards is the major obstacle. This study shows that 40.66% was harassed by government police and private shop guards. Related to harassment vendors obligated to operate inappropriate site a result lack of demand (6.59%). Family responsibility, shortage of working capital and luck of credit access are constraints during operation with 13.19%, 7.69% and 5.5% respectively.

Table 4.5 difficulties at start-up of operation

difficulties at start-up	Frequency	Percentage
Lack of start-up capital	27	29.67
Inadequate skill	3	3.30
Government police and private shop guards Lake of demand	17	18.68
	3	3.30
Lake of experience	7	7.69
Multiple constraints	34	3.30
Total	91	100

Source: own survey data

Table 4.6 Distribution of difficulties during operation

difficulties during operation	Frequency	Percentage
A Shortage of working capital	7	7.69
Harassment from government police and private shop guards	37	40.66
No access to credit	5	5.5
Family responsibility	12	13.19
Lack of demand	6	6.59
Other	5	5.5
Multiple constraints	19	20.88
Total	91	100

Source: own survey data

4.1.3.7 Vendor's suggestion to the policy makers

When the respondents were asked what suggestion about the policy makers instead of measure takes against street vendors, more than three fourth of them respond that appropriate site and facilities provided, followed by both appropriate site and credit access. In addition government should be facilitating vendors organization are the rest respondent suggestion. (Figure 4.13)

Figure 4.13 Vendor's suggestion to the policy makers
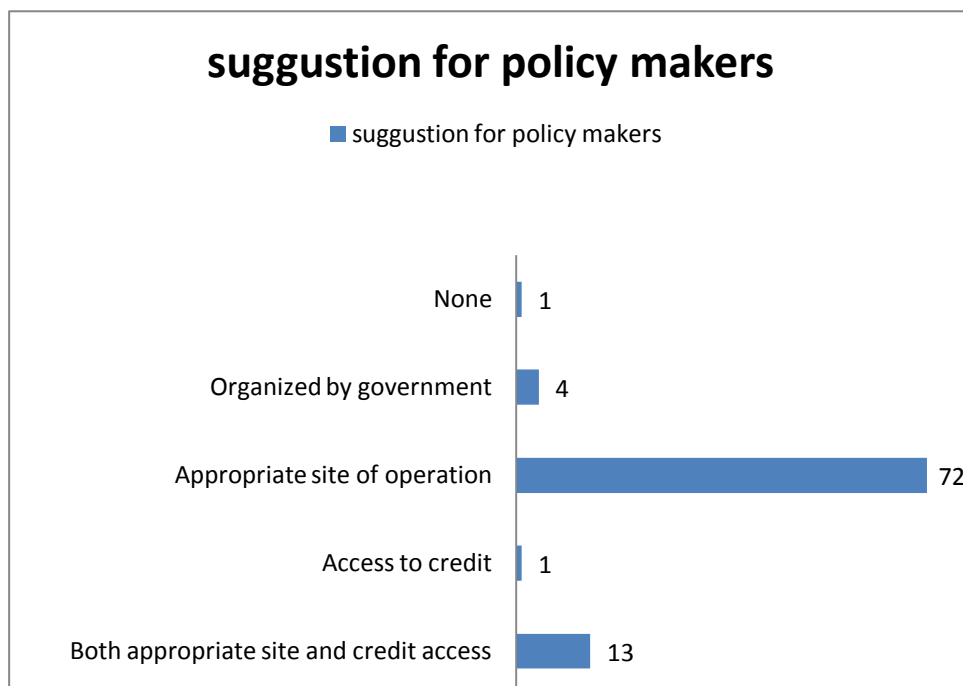
Source: own survey data

This result could help policy makers to identify areas of concentration and formulate possible policies and programs regarding the Informal Sector.

4.1.3.8 Problem they face in last 12 month

When the respondents were asked "Did you face any events that have adverse effect on your livelihood?" 81 out of 91 respond that 'yes' with specifically confiscation of commodities by Government authorities was higher portion and followed by natural shock or loss commodity by rain or sun Ricks (Figure 4.14). This chart also shows that social market shocks or loos of customers

With vendors affected very few in number (only 6 of 91). On the other hand 21 of them affected double shocked which are both confiscation of commodities by Government authorities and natural shock.

Figure 4.14 Distribution challenges
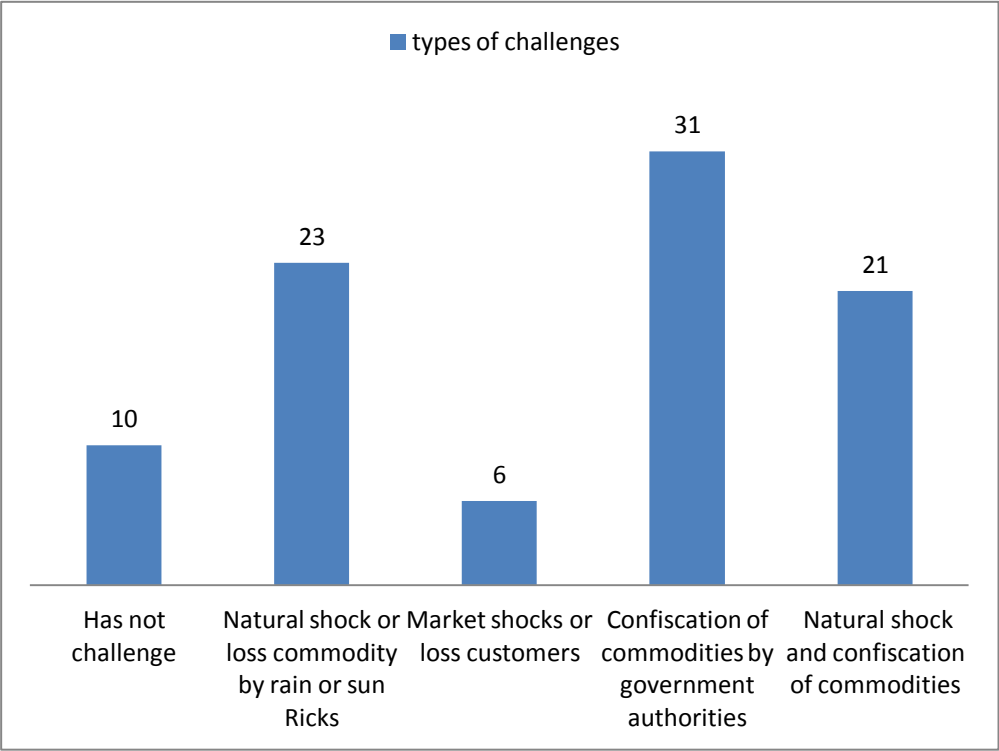
Source: own survey data

Figure 4.15 shows government in the field was highly challenged for vendors than other incidents.

Figure4.15 Challenges by Government on the field Vs incidents
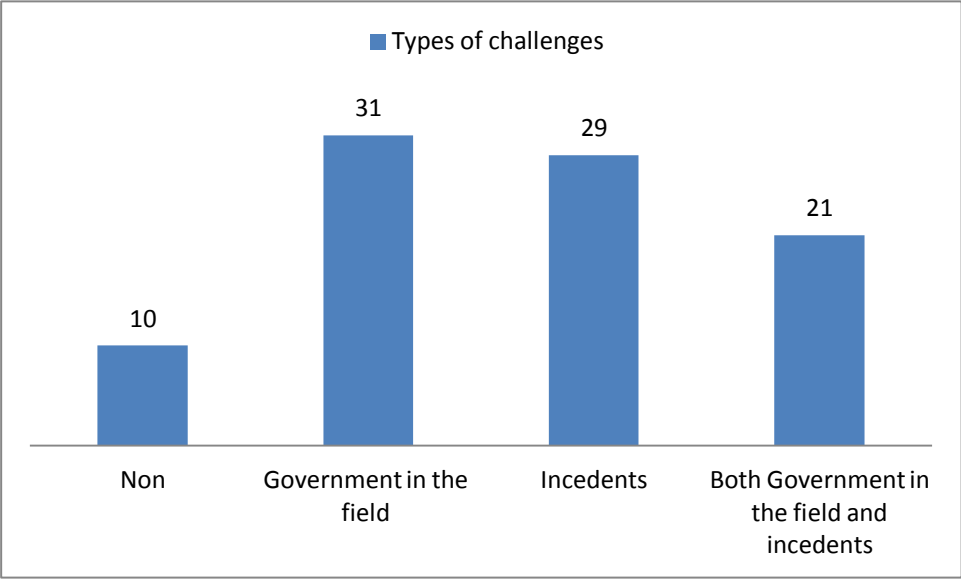
Source: own survey data

4.1.3.9 Next plan of the sample street vendors

Figure 4.16 Next plan of the sample street vendors
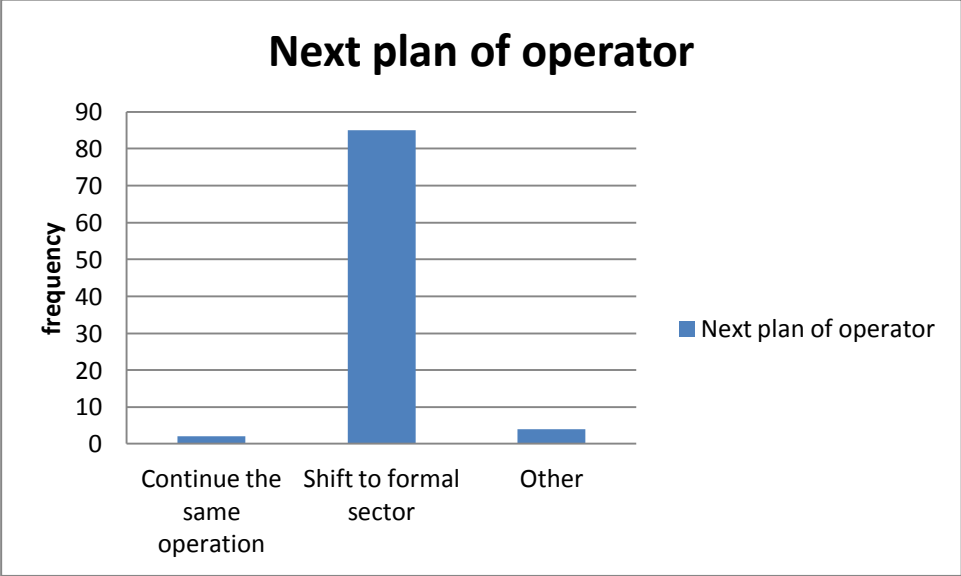
Source: own survey data

During the survey period, operators of Informal Sector were response for I asked to next plan of the activity. It can be observed from Figure 4.15 that almost all of respondent's next plan will be informal trading activity shift to formal sector activity. This assures the literature that

is the informal sector serves as a training ground for those who move to formal wage earning systems (Selamawit 1994). As can be seen the figure who planed will continue the same sector (informal) is only 2.2%. Other alternative planner was 4.4% and the most who planed will be shift to formal sector was 93.41%.

when we come to associate the plan of vendors' with the reasons that respondents become in the street vending only high profit seeker and tax avoider wouldn't have plan to become formal sector.

Table 4.7 respondents' reason to become informal sector * operators' future plane [total %].

respondents' reason to become informal sector	operators' future plane			
	will continue the same operation	will shift to formal sector	other	Total
seek employment	.00%	27.47%	3.30%	30.77%
seek to avoid tax	1.10%	.00%	.00%	1.10%
seek to get high profit	1.10%	.00%	.00%	1.10%
unable to fulfil requirement of formal sector	.00%	65.93%	1.10%	67.03%
Total	2.20%	93.41%	4.40%	100.00%

Source: own survey data

4.2 Inferential analysis

The main reasons of respondents in the informal sector were seek to create employment and unable to fulfil criteria of formal sector with different factors such as gender, age, number of dependents, educational level, migrant status, and start-up capital are present and hypothetical test finding are included in this analysis.

Table 4.8indicates that the independent variables that were the respondent migration status statistically significant at the .05 level and the respondent age and gender were significant at 0.10 level.

The significant of the variable age and migration status are important of these factor and their influence the reasons of informal operator to become in informal sector. The positive sign regarding these variables indicate that at the values the respondent place on these factors increase, the probability of seeking to create employment increase. The odd ratio analysis indicated that 1 unit increase in migration status which 0 are for non-migrantand 1 for migrant, Migrants 4.58 times more likely to have seek to create employment thannon-migrant. And age is a continuous explanatory variable, with a 'b' value of .069 in a model predicting seek to create employment = 1, no seek to create employment = 0. Then since $\exp(.069)$ = 1,071 the odds of seeking employment is higher for an older person(implies the prob. of seeking employment is higher for an older person for an additional year age, the odds of seeking employment by a factor of 1.071.(higher by 7.1%)

Gender is significant at the .10 level. And the negative sign indicate that female respondents have a higher probability of motivation to create employment. This supports the relation that survey respondents who were males were approximately 0.4 times less likely to have seek employment than females.

The other factor number of maintain, initial capital of a commodity and educational level were insignificant both one and two tailed test, either 0.05 level or 0.10 level. So that the required hypothesis are rejected that are:

Hypothesis 4. Level of education has negative effect on reasons of informal operator to become in informal sector.

Hypothesis 5. Number of maintain has positive effect on reasons of informal operator to become in informal sector.

Hypothesis 6. The operator's initial capital has negative effect on reasons of informal operator to become in informal sector.

When we come to the dependent variable unable to fulfil requirement of formal sector

The table 4.9indicates the independent variables were not statistically significant at the .05 level .The respondent migration status and initial capital of commodity were significant at 0.10 level.

Gender is significant at the .10 level. The negative sign indicate that female respondents have a higher probability of unable to fulfil criteria of formal sector than male that the reasons of informal operator to become in informal sector.

The odd ratio analysis indicated that 1 unit increase in gender, female 0.34 times less likely to have to unable to fulfil requirement of formal sector than male.

Both Initial capital of commodities and fixed asset are significant at the .10 level. and the negative sign indicate that the value of initial capital increase by 1 unit associate negatively a decrease value of unable to fulfil criteria of formal sector that the reasons of informal operator to become in informal sector.

When initial capital of a commodity b = -, 639in the B column of the 'Variables in the Equation' table, then the corresponding odds ratio (column exp (B)) quoted in table 4.9 will be .528. We can then say that when the independent variable increases one unit, the odds that the case can be predicted decrease by a factor of around 0.5 times, that implies one unit of initial capital of a commodity increase, unable to fulfil criteria of formal sector decrees by 0.5 times.

The other factor age, migration status, number of maintain and educational level were insignificant either 0.05 level or 0.10 level. So that the required hypothesis rejected that are:

Hypothesis 2. Age has negative effect on reasons of informal operator to become in informal sector.

Hypothesis 3. Migrant respondents has higher probability of reasons of informal operator to become in informal sector than non-migrant.

Hypothesis 4. Level of education has negative effect on reasons of informal operator to become in informal sector.

Hypothesis 5. Number of maintain has positive effect on reasons of informal operator to become in informal sector.

4.3 Summery of finding

The description on profiles of the study area provided analysis of street vendors in Addis Ababa, its economy and its personal information's. Over all characteristics of the respondent, most street vending is conducted by men whose age is 20-39, marital status and who have maintain are not major factor to decide involving street vending respondents while who was not work experience when starting their operation. The main factors determining the reason of informal operators to become in the informal sector are unable to fulfil criteria of formal sector and lack of job opportunity in the formal sector. The study resulted in higher rate was rural-urban migration with reason of looking job. This study shows that the majority of the street vendor's constraint at start-up activities was lack of start-up capital and during the operation has harassed by government police and private shop guards. And main source of capital was borrowing from friends or relatives, almost all of them (95.60%) were not support by Government or NGO's such as training and counselling services.

According and have suggestion to the study most of them would like to their current activity to change to they need better working site.

CHAPTER FIVE

5. Discussion and conclusion

5.1 Discussion

Reason of informal operators to become in the informal sector is cause of seeking employment, unable to fulfil requirement of formal sector, to avoid tax and to get higher profit is 31%.67%.1%, 1% respectively based on this result we can say street vendors in Addis Ababa reason of informality is ether seeking employment or unable to fulfil criteria of formal sector. This result offers empirical support dualist and legalist school of thought. While this result contradicts structuralist and il-legalist school of thought. This support or contradict is limited by the selection of indicator (ordinal variables) that seat reveal some aspects of the theoretical factors.

The factor that number of maintain and educational level are not important to reason of informal operators to become in the informal sector. As we know if more in have number of maintain then have more social obligation than has no maintain. Based on this research result no relationship between number of dependence and reason of informal operators to become in the informal sector that implies contradict with the theory that Social obligation-most choose informal sector part to its freedom from extra burden from their employer, to its simple operation and irregular and flexible working hour so as to fulfil social obligations and home works, etc. (Webster &Fidler, 1996). And also this study result has no relationship between education and reason of informal operators to become in the informal sector. This contradict the literature that one of the main characteristics of informal sector is skills acquired outside the normal school system, (ILO, 1972). NB- this support or contradict is limited by the selection of indicator (ordinal variables) that seat reveal some aspects of the theoretical factors.

Initial capital is not important factor of reason of informal operators to become in the informal sector that to seek to employment. However, it is important factor of who was unable to fulfil requirement of formal sector that the reason of they to become in the informal sector. This study result has negative relationship between initial capital of a commodity and reason of informal operators to become in the informal sector was unable to do formal sector; this result support one of the main characteristics of informal sector is small scale of operation....... (ILO, 1972).

Table 4.8 Logistic regression analysis of reason of seek to create employment

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1[a]	age	,069	,041	2,853	1	,091	1,071
	Migration status	1,522	,745	4,176	1	,041	4,580
	Gender	-,991	,547	3,280	1	,070	,371
	No. maintained	-,067	,151	,200	1	,654	,935
	Initial capital for commodities	,321	,368	,761	1	,383	1,378
	Initial capital for fixed asset	1,442	,954	2,288	1	,130	4,231
	Educational level	,361	,313	1,337	1	,248	1,435
	Constant	-4,652	1,879	6,130	1	,013	,010

a. Variable(s) entered on step 1: age, migrationstatus, Gender, No. maintained, initialcapitalforcommodities,

initialcapitalforfixedasset, educationallevel

Source:own survey data

Table 4.9 Logistic regression analysis of reason of unable to fulfil the criteria of formal sector

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1[a]	age	-,040	,038	1,142	1	,285	,961
	Migrationstatus	-,964	,651	2,194	1	,139	,381
	Gender	,883	,520	2,884	1	,089	2,419
	No. maintained	,005	,145	,001	1	,972	1,005
	Initialcapitalforcommodities	-,639	,351	3,316	1	,069	,528
	Initialcapitalforfixedasset	-1,633	,952	2,940	1	,086	,195
	Educationallevel	-,283	,300	,891	1	,345	,754
	Constant	3,658	1,709	4,579	1	,032	38,780

a. Variable(s) entered on step 1: age, migrationstatus, Gender, No. maintained, initialcapitalforcommodities,
initialcapitalforfixedasset, educational level;

Source:own survey data

Age and migration status were insignificant for respondent reason that unable to fulfil criteria of formal sector was reason of to become in the informal sector. On the other hand, there are significant for respondent reason of informal operators to operate in the informal sector was to

seek to create employment. According to the study result age and seeking employment as a reason of vendors to become informal sector are positively related; this result contradicts thinkers that informal sectors associated with youth. Gender is significant in both case. As a result of this study female respondents have a higher probability to become to operate in the informal sector to create employment than male. While this result supported the finding of (Chhabra, 2003) majority of those left out from formal job opportunity structure are women.

Migration status is significant factor for reason of informal operators to become in the informal sector and was positively related when respondents reason was seeking employment, this study result show support Rural-urban migration theory that the urban

Informal sector has been able to generate employment for migrant by using labour-intensive technologies (Todaro, 1981)

5.2 Conclusion

Analysis indicate that seeking to create employment and unable to fulfil requirement of formal sector are the main reasons that street vendors to become in informal sector in Addis Ababa.

The most important factor was migration factor. Age, gender, and initial capital of a commodity were significant factor whether to motivate to seek create employment or unable to fulfil requirement of formal sector was reason of informal operators to become in the informal sector.

5.3 Recommendations

This result of this study will provide importance of informal sector as reduction of urban unemployment and it is as a base of formal sector. In addition this study can serve to provide major   criteria of formal sector as obstacle to become formal.

Further research on this subject should focus on relationship between criteria of   registration of formal business with reason of informal operators to become in informal sector. Specifically migrant problem of finding license to do in formal sector and to register as formal operator, response from government officials' requirement of residence identification card.

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Appendix 1 Questions for street vendors in Addis Ababa

I. Personal Information

1. What is your age?

2. Where is your Place of birth?

3. If place of birth is outside Addis Ababa, why did you come here?

4. Marital status:

        a) Single

        b) Married

        c) Widowed

        d) Divorced

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

6. Education level

        a) Illiterate   e) Certificate

        b) Grade 1-6   f) Diploma

        c) Grade 7-8   g) Degree

        d) Grad 9-10

7. What is your gender?

A) Female B) Male

II. Questions on Business Activity

8. What were you doing before starting this business?

  a) student

  b) employed

  c) unimpeded

  d) pension

  e) self-owned formal sector activity

f) Other (Specify)

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

   c) It is highly profitable

   d) Has not fulfilled minimum requirements for registration to operate in formal sector.

10. Why do you locate at this site?

   a) Near to customer or market

   b) Near to home

   c) No other appropriate site

   d) To escape harassment from Gov't and private shop guards

   e) Other (Specify): ---------

11. How much was your initial capital (Birr)?

   a) To buy fixed capital of materials equipment for your activity

   b) To buy commodities for resale

12. What was the source of this start-up capital? -----------

   a) Own saving of ' Equb'

   b) Assistance from Govn't or NGOs

   c) Borrowing from friends of relatives

   d) Borrowing from money lenders

   e) Assistance from friends of relatives

   f) Micro finance institutions

   g) Other (specify)-----------------

13. Have you work additional income source?

   a) Yes b) No

14. To whom do you mostly sale your commodities? ---------

  a) Poor   b) rich c) Others (specify) -------

15. What were the serious difficulties you faced when you started this business?

   /Multiple answer is possible/

   a) Lack of start-up capital

   b) Inadequate skill

   c) Govn't police and pvt. Shop guards

   d) Lake of demand

   e) Lake of experience

   f) Other (specifies) ----------------

 16. What were the serious difficulties you faced after you have started this business?

    /Multiple answer is possible /

   a) Shortage of working capital

   b) Harassment from Gov't police and private shop guards

   c) Social obligations

   d) No access to credit

   e) Family responsibility

   f) Lack of demand

   g) Other(specifies)---------------

 17. Did you face any events that have adverse effect on your livelihood?

   a) Yes

    b) No

 18. If yes, answer the following questions?

    a) Natural shock or loss commodity by rain or sun Ricks

    b) Market shocks or loss customers

c) Confiscation of commodities by Government authorities

d) Other (specify) ------------------

19. What is your next plan?

    a) Continue the same operation

    b) Shift to formal sector

    c) Other (specify) ------------------

20. What is your suggestion about the policy makers instead of measure take against street?

Vendors?

Appendix 2

LOGISTIC REGRESSION VARIABLES employment seeker

 /METHOD=ENTER age migration status Gender
No.dependenceinitialcapitalforcommoditiesinitialcapitalforfixedaseteducationallevel

 /CRITERIA=PIN(.05) POUT(.10) ITERATE(20) CUT(.5).

Logistic Regression

Notes

Output Created		12-MAY-2014 12:16:22
Comments		
Input	Data	E:\Data sumary on SPSS_1.sav
	Active Dataset	DataSet1
	Filter	<none>
	Weight	<none>
	Split File	<none>
	N of Rows in Working Data File	91
Missing Value Handling	Definition of Missing	User-defined missing values are treated as missing
Syntax		LOGISTIC REGRESSION VARIABLES employmentseeker
		/METHOD=ENTER age migrationstatus Gender No.dependenceinitialcapitalforcommoditiesinitialcapitalforfixedaseteducationallevel
		/CRITERIA=PIN(.05) POUT(.10) ITERATE(20) CUT(.5).
Resources	Processor Time	00:00:00,03
	Elapsed Time	00:00:00,17

[DataSet1] E:\Data sumary on SPSS_1.sav

Case Processing Summary

UnweightedCases[a]		N	Percent
Selected Cases	Included in Analysis	91	100,0
	Missing Cases	0	,0
	Total	91	100,0
Unselected Cases		0	,0
Total		91	100,0

a. If weight is in effect, see classification table for the total number of cases.

Dependent Variable Encoding

Original Value	Internal Value
not seek employment	0
seek employment	1

Block 0: Beginning Block

Classification Table[a,b]

Observed			Predicted	
			seek to creat employment	
			not seek employment	seek employment
Step 0	seek to creat employment	not seek employment	63	0
		seek employment	28	0
	Overall Percentage			

65

Classification Table[a,b]

Observed			Predicted
			Percentage Correct
Step 0	seek to creat employment	not seek employment	100,0
		seek employment	,0
	Overall Percentage		69,2

a. Constant is included in the model.

b. The cut value is ,500

Variables in the Equation

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 0	Constant	-,811	,227	12,747	1	,000	,444

Variables not in the Equation

			Score	df	Sig.
Step 0	Variables	age	1,959	1	,162
		migrationstatus	4,540	1	,033
		Gender	1,392	1	,238
		No.dependence	,002	1	,968
		initialcapitalforcommodities	,191	1	,662
		initialcapitalforfixedaset	3,886	1	,049
		educationallevel	,096	1	,757
	Overall Statistics		12,602	7	,082

66

Block 1: Method = Enter

Omnibus Tests of Model Coefficients

		Chi-square	df	Sig.
Step 1	Step	13,746	7	,056
	Block	13,746	7	,056
	Model	13,746	7	,056

Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	98,592[a]	,140	,198

a. Estimation terminated at iteration number 5 because
parameter estimates changed by less than ,001.

Classification Table[a]

Observed			Predicted	
			seek to creat employment	
			not seek employment	seek employment
Step 1	seek to creat employment	not seek employment	59	4
		seek employment	18	10
	Overall Percentage			

a. The cut value is ,500

Classification Table^a

Observed			Predicted
			Percentage Correct
Step 1	seek to creat employment	not seek employment	93,7
		seek employment	35,7
	Overall Percentage		75,8

Variables in the Equation

		B	S.E.	Wald	df	Sig.
Step 1^a	age	,069	,041	2,853	1	,091
	migrationstatus	1,522	,745	4,176	1	,041
	Gender	-,991	,547	3,280	1	,070
	No.dependence	-,067	,151	,200	1	,654
	initialcapitalforcommodities	,321	,368	,761	1	,383
	initialcapitalforfixedaset	1,442	,954	2,288	1	,130
	educationallevel	,361	,313	1,337	1	,248
	Constant	-4,652	1,879	6,130	1	,013

Variables in the Equation

69	Exp(B)
Step 1[a]		
age	1,071
migrationstatus	4,580
Gender	,371
No.dependence	,935
initialcapitalforcommodities	1,378
initialcapitalforfixedaset	4,231
educationallevel	1,435
Constant	,010

a. Variable(s) entered on step 1: age, migrationstatus, Gender, No.dependence, initialcapitalforcommodities, initialcapitalforfixedaset, educationallevel.

Appendix 3

LOGISTIC REGRESSION VARIABLES unablerequirment

 /METHOD=ENTER age migrationstatus Gender
No.dependenceinitialcapitalforcommoditiesinitialcapitalforfixedaseteducationallevel

 /CRITERIA=PIN(.05) POUT(.10) ITERATE(20) CUT(.5).

Logistic Regression

Notes

Output Created		12-MAY-2014 12:19:32
Comments		
Input	Data	E:\Data sumary on SPSS_1.sav
	Active Dataset	DataSet1
	Filter	<none>
	Weight	<none>
	Split File	<none>
	N of Rows in Working Data File	91
Missing Value Handling	Definition of Missing	User-defined missing values are treated as missing
Syntax		LOGISTIC REGRESSION VARIABLES unablerequirment /METHOD=ENTER age migrationstatus Gender No.dependenceinitialcapitalforcommoditiesinitialcapitalforfixedaseteducationallevel /CRITERIA=PIN(.05) POUT(.10) ITERATE(20) CUT(.5).
Resources	Processor Time	00:00:00,00
	Elapsed Time	00:00:00,02

[DataSet1] E:\Data sumary on SPSS_1.sav

Case Processing Summary

UnweightedCases[a]		N	Percent
Selected Cases	Included in Analysis	91	100,0
	Missing Cases	0	,0
	Total	91	100,0
Unselected Cases		0	,0
Total		91	100,0

a. If weight is in effect, see classification table for the total number of cases.

Dependent Variable Encoding

Original Value	Internal Value
able to fulfil formal requirment	0
unable to fulfil formal requirment	1

Block 0: Beginning Block

Classification Table[a,b]

Observed		Predicted	
		unable requirment	
		able to fulfil formal requirment	unable to fulfil formal requirment
Step 0	unable requirment able to fulfil formal requirment	0	30
	unable to fulfil formal requirment	0	61
	Overall Percentage		

Classification Table[a,b]

Observed			Predicted
			Percentage Correct
Step 0	unable requirment	able to fulfil formal requirment	,0
		unable to fulfil formal requirment	100,0
	Overall Percentage		67,0

a. Constant is included in the model.

b. The cut value is ,500

Variables in the Equation

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 0	Constant	,710	,223	10,128	1	,001	2,033

Variables not in the Equation

			Score	df	Sig.
Step 0	Variables	age	,673	1	,412
		migrationstatus	1,756	1	,185
		Gender	1,711	1	,191
		No.dependence	,015	1	,904
		initialcapitalforcommodities	2,432	1	,119
		initialcapitalforfixedaset	3,301	1	,069
		educationallevel	,008	1	,929
	Overall Statistics		11,620	7	,114

72

Block 1: Method = Enter

Omnibus Tests of Model Coefficients

		Chi-square	df	Sig.
Step 1	Step	11,956	7	,102
	Block	11,956	7	,102
	Model	11,956	7	,102

Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	103,422[a]	,123	,171

a. Estimation terminated at iteration number 4 because
parameter estimates changed by less than ,001.

Classification Table[a]

Observed		Predicted	
		unable requirment	
		able to fulfil formal requirment	unable to fulfil formal requirment
Step 1	unable requirment		
	able to fulfil formal requirment	9	21
	unable to fulfil formal requirment	6	55
	Overall Percentage		

Classification Table[a]

73

Observed		Predicted
		Percentage Correct
Step 1	unable requirment	able to fulfil formal requirment	30,0
		unable to fulfil formal requirment	90,2
	Overall Percentage		70,3

a. The cut value is ,500

Variables in the Equation

		B	S.E.	Wald	df	Sig.
Step 1[a]	age	-,040	,038	1,142	1	,285
	migrationstatus	-,964	,651	2,194	1	,139
	Gender	,883	,520	2,884	1	,089
	No.dependence	,005	,145	,001	1	,972
	initialcapitalforcommodities	-,639	,351	3,316	1	,069
	initialcapitalforfixedaset	-1,633	,952	2,940	1	,086
	educationallevel	-,283	,300	,891	1	,345
	Constant	3,658	1,709	4,579	1	,032

Variables in the Equation

		Exp(B)
Step 1[a]	age	,961
	migrationstatus	,381
	Gender	2,419
	No.dependence	1,005
	initialcapitalforcommodities	,528
	initialcapitalforfixedaset	,195
	educationallevel	,754
	Constant	38,780

a. Variable(s) entered on step 1: age, migrationstatus, Gender, No.dependence, initialcapitalforcommodities, initialcapitalforfixedaset, educationallevel.