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## Street based self-employment: A poverty trap or a stepping stone for migrant youth in Africa?

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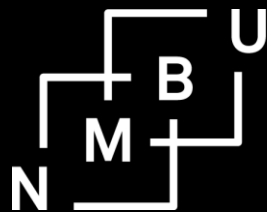
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# Street based self-employment: A poverty trap or a stepping stone for migrant youth in Africa?

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## ABSTRACT

A significant percentage of youth in urban Africa is employed in the informal sector. The informal sector is more accessible than the formal sector for people with low human and financial capital, such as youth migrants from rural areas. But the sector is also generally considered to provide a subsistence livelihood. This study examines whether street based self-employment in Africa offer a stepping stone towards a better livelihood or an urban poverty trap for youth migrants. The analysis is based on data from a survey of 445 street vendors in two urban areas in Ethiopia. We found that street based self-employment is indeed dominated by migrant youth; 96% of those engaged in the street based self-employment are youth and 98% are migrants from rural areas or smaller towns. Our analysis suggests that street based self-employment can offer a viable transitional employment for migrant youth. We found that the average monthly earning of these self-employed youth is better than the minimum wage in the public sector and much higher than the official poverty line. We found that most of the youth consider this as a transitional employment and accumulate skill and capital with a view to establishing their own enterprise or accessing skilled employment. Young women are less likely than young men to seek exit out of street based self-employment but education increases their aspiration. Youth with better-off parents back home and those with larger network in their new residence are more likely to change their current occupation. The main risk for the livelihood of youth in this type of employment is lack of legal recognition to their activities and work place, which manifest itself in the form of arbitrary eviction and displacement from their work place.

**Key words:** Informal employment, youth migration, youth unemployment, street vending, Africa, Ethiopia

# 1 INTRODUCTION

Sub-Saharan Africa (SSA) has the youngest population in the world with youth in the age group 10-24 accounting one-third of the total population (Clifton and Hervish, 2013). The rate of growth in the youth population is higher than the rate at which employment is being created by the public and the formal private sector. In 2012, 12% of youth in the labor force are unemployed in SSA (ILO, 2013a). This rate of open unemployment, although close to the global average, hides the real extent of lack of livelihood opportunity for the youth in SSA. The majority of the youth reported as employed in SSA are underemployed or are in vulnerable employment (Elder et al., 2015). Estimates from a sample of 24 African countries show that 49% of working young people live on less than USD 1.25 a day (AfDB et al., 2012). In addition, the unemployment rate in SSA does not account for the significant number of discouraged youth who are ready to work but have given up their job search (Elder et al., 2015, Garcia and Farès, 2008). Youth migrants from rural areas, who are attracted to urban centers with the expectation of better employment opportunity and better livelihood, are exposed to additional risks. They may not have the same employment opportunity as urban born youth who have better education, information, social capital and other resources. They may also lack the social safety net from family, relatives and friends that provide youth a certain level of access to food and shelter in urban areas in times of crisis, including unemployment.

The informal sector employment is more accessible than formal sector employment to people with low human, financial and social capital. While the informal sector has long been considered a residual sector, it has been, in fact, an important source of employment in urban areas of developing countries. It employs 30% to 70% of the urban work force in Latin America (Maloney, 2004) and account for 33% to 82% of all non-agricultural employment in Sub-Saharan Africa (ILO, 2013b). It has been argued that the informal sector employment has on average lower returns than formal sector employment but migrants from rural areas often engage in informal employment as a stepping stone to a formal urban employment (Fields, 1975). If the informal sector is always low-return and migrants are not able to launch to a formal employment, then it is possible that it could also be a poverty trap for migrants instead of a stepping stone to better livelihood.

This paper explores whether street based self-employment, the most visible and accessible type of informal self employment in Africa, offers a viable employment opportunity for migrant youth with a potential for transition to better livelihood. The study is based on a survey of 445 youth who are engaged in shoe shining and coffee vending activities in two urban areas (Addis Ababa and Hawassa) in Ethiopia. The study uses descriptive statistics and econometric analysis.

We found that that street based self-employment is dominated by migrant youth who are attracted by its low skill and capital requirements. 96% of the youth engaged in this street vending are youth and 98% are migrants from rural areas or smaller towns. The average monthly earning of these self-employed youth is better than the minimum wage in public sector and much higher than the official poverty line. But the livelihood of youth in the street based employment is insecure due to lack of recognition of their work place. Most of the youth consider this employment as transitory and accumulate skills and capital with an aim to establish their own enterprise or to join skilled employment. While young women are in general found to be less likely than young men to seek change in occupation, education increases the likelihood that young women aim to change their current occupation. Youth who came from better-off parents and those who have larger network in the urban area are more likely to change occupation.

The rest of the paper is organized as follows. Section two revises the empirical literature on youth unemployment, rural-urban migration, informal sector employment and the link among these phenomena. Section three and four present source of data and descriptive statistics, respectively. Section five discusses empirical approach for the analysis of transition out of street based self-employment. Section six and seven present results and concluding remarks, respectively.

## **2 UNEMPLOYMENT, RURAL-URBAN MIGRATION AND INFORMAL SECTOR EMPLOYMENT**

### **(a) Youth unemployment**

Youth unemployment and the associated problems of poverty and lack of livelihood opportunities for young people are major global concerns. The current global youth unemployment rate is estimated at about 12.6% and is expected to remain high for many years to

come (ILO, 2013a). Youth unemployment is higher in urban than in rural areas, and higher among young women than young men (Elder et al., 2015). In developed countries, the average youth unemployment rate is estimated to be 18% in 2012 while in Sub-Saharan Africa, where the majority of the population lives in rural areas, it was 12% in the same year (ILO, 2013a). In poor developing countries, the employment problem is more about vulnerable employment and underemployment than open unemployment (Ghose et al., 2008). The dominance of rain-fed agriculture in Africa makes employment and under-employment to be a seasonal phenomenon in rural areas.

The effect of youth unemployment is not limited to loss of current income and livelihood; it has long term consequences on their life-long welfare in the form of lower future employment prospects and lower subsequent earning. This is because unemployment periods result in depreciation of acquired general skills, lack of specialized training and lack of experience (Arulampalam et al., 2000, Heckman and Borjas, 1980, Lynch, 1985, Gregory and Jukes, 2001). For example, a study from UK shows that a year of youth unemployment results in a wage scar (reduction in earning) of 13–21% at age 42 (Gregg and Tominey, 2005)

The youth population of about 200 million people in Africa make the continent the youngest in the world and is projected to expand more rapidly than anywhere else in the world (AfDB, 2012). Youth are in general more vulnerable to unemployment than adults. While youth account for 40% of Africa's working age group, they constitute 60% of the total unemployed (AfDB et al., 2012). Even then, youth unemployment rate is a poor indicator of their lack of livelihood access since it exclude the significant number of discouraged youth who are ready to work but have given up their job search (Garcia and Farès, 2008). A recent study that used survey data on youth employment from several countries shows that the youth unemployment rate in Sub-Saharan Africa averaged 7.5 per cent but youth who are neither in employment nor in formal education or training (NEET rate) totalled 17.7 per cent. The study also showed that the majority of youth are in vulnerable employment, which consists of low-paying self-employment and contributing to family work. Wage employment opportunities are scarce and are often not accompanied by employment benefits or participation in a social security scheme (Ibid, p. 41). Estimates from a sample of 24 African countries shows that 49% of working young people live on less than USD 1.25 a day (AfDB et al., 2012).

Ethiopia has an estimated population size of 86.6 million in 2013 (CSA, 2013a) with the overwhelming majority of the population (84%) living in rural areas (CSA, 2008). According to the National Labor Force (NLF) survey in 2013, the rate of unemployment in Ethiopia is 4.5 percent, with an urban unemployment rate of 16.5% and a rural unemployment rate of 2% (CSA, 2014). However, this rate of unemployment may be an understatement, especially for rural areas. In the NLF survey, employed population consists of persons aged ten years and above who are engaged in a productive activity or work at least for one hour during the seven days prior to the date of the interview, as well as those persons who had regular jobs, business, or holdings to return to but who were temporarily absent from work. Given that agriculture is the main activity in rural areas and members of farm households are typically expected to contribute to the family agriculture in some capacity, most people who would consider themselves as unemployed are likely to be registered as employed because of their contribution to family labor. The data supports this argument. While 55% those reported as employed in rural areas are unpaid family workers, only 4% are paid employees (in agriculture or non-agriculture sector). The rest are predominantly self-employed farmers (CSA, 2014, p 213).

The youth in Ethiopia account for a quarter the total population (CSA, 2013b). The youth unemployment rate according to the 2013 labor survey is 21.6% in urban areas and 3.1% in rural areas (CSA, 2014). A worrisome development in Ethiopia in recent years is the ever shrinking access to agricultural land for youth in rural areas due to farm size scarcity and high rate of population growth. A recent study in Ethiopia shows that with a decline in access to farm land, youth in rural areas started looking for livelihood outside of the agricultural sector (Bezu and Holden, 2014a). Since the non-farm sector in rural Ethiopia is very much underdeveloped, lack of access to farm land combined with low interest in agricultural livelihood has already initiated significant rural-urban youth migration in recent years (Bezu and Holden, 2014a) .

### **(b) Rural-urban migration**

While only 30% of people in the world lived in urban areas in 1950, currently more than half of the world population (53%) lives in urban areas; and this is expected to increase to 64% by 2050 (UN, 2014). Sub-Saharan Africa is among the least urbanized regions; but the region is catching up rapidly with the urban population share growing at 1.41% per annum against the world

average of 0.9% (UN, 2014). Much of this is likely associated with high rural-urban migration since the fertility rate in rural areas is typically higher than in urban areas. Data on magnitudes of internal migration is often hard to come by. But the few evidences on internal migration show high levels of population movement within countries. UNDP estimates that there are more than 700 million internal migrants in the world, four times the estimated figure for international migrants (UNDP, 2009). A study that disaggregates the components of urban population growth for Chinese cities in the years 1978-1999 shows that 75% of the urban growth in that period is attributed to rural-urban migration (Zhang & Song, 2003).

Early theoretical discussions on rural-urban migration in economics focus on the individual's motivation to migrate from rural to urban areas. It is argued that differences in returns and income between rural and urban areas are the main drivers of rural-urban migration (Harris & Todaro, 1970; Lewis, 1954; Sjaastad, 1962; Todaro, 1969). In the highly influential Harris-Todaro model, wages in urban areas are institutionally set above the market clearing price so that migrants compare the expected wage in the urban sector with the agricultural wage in the rural areas. Hence, rural-urban migration will exist even if there is unemployment in urban areas so long as *expected earning* in urban areas is higher than earnings in rural areas (Harris & Todaro, 1970). Later models of migration consider migration as part of a household level livelihood strategy instead of an individual level decision that is based on income maximization. In this 'new economics of migration' factors such as risk minimization, imperfections in rural markets and relative deprivation are considered important incentives for migration in addition to differences in expected returns to the migrant labor (Azam & Gubert, 2006; Katz & Stark, 1986; Stark, 1991; Stark & Bloom, 1985; Taylor, 1999)<sup>1</sup>.

Empirical literature indicates that most labor migrants in poor countries are young, mostly in the age group 15-30 (De Haan, 1999; Lipton, 1980). They are also more educated than others indicating the self-selection of the migrants (Agesa, 2001; Hoddinott, 1994). A youth labor study based on surveys from 25 countries shows that 27% of the youth respondents signaled a willingness to relocate to urban areas in order to find work, with the unemployed exhibiting a higher migration aspirations (Elder et al., 2015).



Due to the lack of population registration in Ethiopia and absence of early census and survey data, it is difficult to have a clear picture of the magnitude and trends of rural-urban migration. However, suggestive evidences indicate that rural-urban migration has been historically low due to a purposeful restriction of labor mobility and rural land policies (de Brauw and Mueller, 2012, Rahmato, 1984, Pankhurst et al., 2013). But rural-urban migration has exhibited a significant increase in recent years. A report from a 2012 Inter Censal Population Survey (CSA, 2013b) shows that 49% of the current urban population in Ethiopia are first generation migrants. Moreover, the survey reveals that while among all migrants the proportion of those who migrated between rural areas (37%) is higher than those who migrated from rural to urban areas (33%). Among *recent migrants* (those who migrated in the five years before the survey), there are more rural to urban migrants ( 39%) than rural to rural migrants (27%), indicating a shift in recent years towards more rural-urban migration (CSA, 2013b). A survey based study from Southern Ethiopia also shows significant rural-urban migration in recent years where three-fourth of migrants were found to be destined for urban areas (Bezu and Holden, 2014b).

Youth in Ethiopia are the most mobile section of the society. Data from an urban Migration Study by the World Bank shows that youth migrants account for half of the recent migrants to the city of Addis Ababa (Moller, 2012). A study on youth livelihood from southern Ethiopia shows that in the five years between 2007 and 2012, 15% of the rural youth in the sample migrated to urban areas (Bezu and Holden, 2014a).

### **(c) The informal sector and rural-urban migrants**

#### **(i) The informal sector**

The concept of the informal sector was first introduced by Hart (1973) to describe the unregistered economic activities that Ghana's urban poor, particularly migrants, depended on for their livelihood. The informal sector is comprised of informal own-account enterprises and informal enterprises that hire employees. According to Charmes (2000), the main features of informal sector economic units are: ease of entry ; small scale of the activity; self-employment, with a high proportion of family workers and apprentices; little capital and equipment; labour intensive technologies; low skills; low level of organisation with no access to organised markets, to formal credit, to education and training or services and amenities; and cheap provision of

goods and services or provision of goods and services otherwise unavailable (Charmes, 2000). While the descriptions of the informal sector by Charmes (2000) characterize most informal sector activities, not all informal sector activities are similar. Recent studies emphasize the heterogeneity among those engaged in the informal sector, particularly in relation to informal entrepreneurs where the informal enterprises are argued to be composed of survivalist businesses as well as successful growth-oriented entrepreneurs (Mead and Morrisson, 1996, Grimm et al., 2012). In terms of designing policies to improve enterprises in the informal sector, the two types of enterprises will have different policy implications (Temkin, 2009).

Data on the size of informal sector employment has been historically lacking. Informal employment refers to those who are self-employed in the informal sector or wage employees in an informal enterprise. In addition to individuals exclusively engaged in the informal sector, many formal sector employees from the private and the public sector also engage in the informal sector to supplement their income (ILO, 2013b). The informal sector has historically been considered a ‘residual’ sector, but it is in fact a major source of non-agricultural employment in developing countries. It employs between 30% and 70% of urban work force in Latin America (Maloney, 2004) and the informal employment accounts for 33% to 82% of all non-agricultural employment in Sub-Saharan Africa (ILO, 2013b). The informal sector has also been expected to be transitional but evidence shows that it has remained significant employer over time. In 1980 to 1990, the share of informal employment rose by 6.7 percentage points in Sub-Saharan Africa, 10 in Asia, and 4.6 in North Africa (Charmes, 2000)<sup>2</sup>. The informal sector also contributes significantly to GDP. Available evidence shows that in Sub-Saharan Africa, the informal sector contributes 36% -61% of total non-agricultural Gross Value Added (ILO, 2013b). In Ethiopia, the informal sector currently account for 26% of all employment in urban areas with the rate of informal sector employment for women (36.5%) double that of informal employment for men (18.1%) (CSA, 2014).

## **(ii) Migrants in the informal sector**

In the dual-economy framework, it has been argued that migrants engage in informal employment until the time they are able to find formal employment in the urban sector. The informal sector is typically assumed to have lower returns than the modern sector but it gives

additional options than going back to agriculture and serves as a stepping stone to formal urban employment (Fields, 1975). The empirical question is then whether the informal sector in fact serves as an entry point for new migrants in urban areas. If the informal sector is always low-return and migrants are not able to launch to a formal employment, then they may be only geographically relocating their poverty.

There are evidences that confirm that returns in the informal sector are on average lower than that of the formal sector but there was no solid evidence that collaborate the argument that the informal sector is used as a stepping stone to the formal employment by new migrants (Banerjee, 1983, Démurger et al., 2009, Mazumdar, 1976, Meng and Zhang, 2001). There may be two explanations for this. On the one hand, attractive formal sector employments often have entry barriers that are difficult to overcome by migrants. On the other hand, informal employment may not always yield lower return than formal sector employment, especially when other desirable qualities such as flexibility, being own-employer, etc are also taken in to account. In India, for example, it was shown that more than half of the migrants who entered the informal sector did not seek to move to the formal sector (Banerjee, 1983); suggesting that not everyone joins the informal employment involuntarily. Recently, the theoretical and empirical literature recognized heterogeneity in the informal sector with some upper tier activities yielding better return than formal wage employment which makes it attractive employment in its own right while other informal employments are involuntarily used as a strategy of last resort (Günther and Launov, 2012, Maloney, 1999, Mead and Morrisson, 1996). In Mexico, Maloney (2004) shows that 60% of men in self-employment left their previous employment to join the informal sector. He argues that the poverty observed in the informal sector in developing countries has more to do with low level of human capital than with formality or informality of employment (Maloney, 2004).

### **(iii) Street vendors**

Among the self-employed in the informal sector, street vendors are the most visible in urban areas. In the broader sense, street vendors refer to persons who sell goods in public space as well as those who provide services in public spaces, such as: hairdressers/barbers; shoe shiners and shoe repairers; and mechanics (ILO, 2013b). In Africa, street vending accounts for 12-24% of informal self employment(ILO, 2013b). For those engaged in street vending, it is also often the

main source of household income. A study of street vendors from four cities in developing countries shows that more than two thirds of vendors live in households for which street vending provides the main source of household income (Roever, 2014). The majority of street vendors in Africa are women and they are own account workers.

Street vendors frequently face eviction, arbitrary confiscations of merchandise, demands for bribes, harassment and physical abuse in their work place, including from police and other state actors. State sanctioned evictions that target street vendors are not infrequent and have been justified by city clean up for modernization; pressure from formal businesses who are worried from ‘unfair’ competition; and preparation for specific public events such as visits of dignitaries, hosting of international sport competitions and other tourist events (Skinner, 2008, Bromley, 2000, Potts, 2007, Hansen, 2004). Such large scale evictions sometimes compromise the livelihood of thousands of urban dwellers. For example, a street ‘clean up’ operation in Zimbabwe in 2005 resulted in the loss of livelihood for 75000 street vendors in Harare (Potts, 2007). Similar targeting of street vendors and informal business have been documented in other African cities with clean up operations that involve arrest of street vendors, destruction of their business place, and confiscation of their wares (Skinner, 2008).

### **3 DATA**

This study is based on a survey of street vendors that are engaged in shoe shining and coffee-vending (SSCV) in the streets of Addis Ababa and Hawassa. The survey was carried out in December 2013 and January 2014. The total sample includes 445 individuals. Addis Ababa is the capital city of Ethiopia and by far the largest urban area in the country. With a population estimate of 3.1 million people, it is 11 times larger than the second largest urban center and 14 times larger than Hawassa (CSA, 2013a) . Over the years, Addis Ababa has been the most popular destination for rural-urban migrants. The rapidly growing town of Hawassa is the capital of Southern Nations, Nationalities and Peoples (SNNP) region of Ethiopia<sup>3</sup>. It has recently attracted migrants from the surrounding towns and villages, although to a much lower extent than Addis Ababa.

In Addis Ababa, the sample was drawn using stratified random sampling technique because of the size of the city and the corresponding spread of youth in SSCV across several city centers

and streets. We used the administrative division of Addis Ababa into 10 sub-cities as the basis and randomly selected two neighborhoods from each sub-city. Enumerators were instructed to survey all vendors engaged in SSCV in the sample neighborhoods who are 15 years or older. Those engaged in SSCV often choose areas with high foot traffic for their business. These are often located around bus and taxi stations as well as near shopping areas, cafes, restaurants and service-providing public institutions. The sample contains 149 vendors. Because of its much smaller size, our survey sites include all the major streets of Hawassa. All vendors engaged in SSCV that were stationed or worked along these streets and were at least 15 years old were included in the sample.

## 4 DESCRIPTIVE STATISTICS

### (a) Socio-economic characteristics

Table 1 reports the birth place of youth engaged in the street business in the two urban centers. The statistics clearly indicate that street based self-employment is predominantly migrants' employment. In this sample of 445 youth, we found that only 7 youth (less than 2% of the sample) were born in the respective cities. The rest are migrants, typically from rural areas (90%).

**Table 1 Sample of self-employed individuals engaged in SSCV in Addis Ababa and Hawassa**

| Migration status               | Addis Ababa | Hawassa | Total |
|--------------------------------|-------------|---------|-------|
| Born in the current city (n)   | 2           | 5       | 7     |
| Migrant(n)                     | 147         | 291     | 438   |
| Born in another town (%)       | 11          | 10      |       |
| Born in rural area/village (%) | 89          | 90      |       |
| Total (N)                      | 149         | 296     | 445   |

*Source:* Own survey data.

In Table 2 we see the age<sup>4</sup> and gender composition of the sample. More than 96% of the individuals surveyed are in the age group 15-29 and the oldest age observed is 36 (one person). We can thus consider this sample as a youth sample<sup>5</sup>. The average age of these street vendors is

21 years in Addis Ababa and 20 in Hawassa. In both Addis Ababa and Hawassa, the majority of the youth engaged in SSCV are male. Women in SSCV activities are older than men engaged in this self-employment. The male-female age difference is in line with the findings from street traders in other African countries where men tend to join street trade while young and leave early for other jobs, while women join street trade later in life and continue till old age (Mitullah, 2003).

**Table 2 Sample engaged in SSCV, disaggregated by location and gender**

|        | Addis Ababa  |      |               | Hawassa      |      |               |
|--------|--------------|------|---------------|--------------|------|---------------|
|        | Total<br>(N) | Age  |               | Total<br>(N) | Age  |               |
|        |              | Mean | >29 years (n) |              | Mean | >29 years (n) |
| Male   | 111          | 20.5 | 3             | 228          | 19.3 | 3             |
| Female | 38           | 22.9 | 6             | 68           | 21.4 | 4             |
| Total  | 149          | 21.2 | 9             | 296          | 19.8 | 7             |

*Source:* Own survey data

*Note:* The average age difference between locations and across gender is statistically significant (t-test) at 1% level of significance.

Table 3 reports the socio-economic characteristics of respondents, disaggregated by gender. There is a clear gender difference in the type of activity respondents are engaged in. Almost all male youth (99%) are engaged in shoe shining<sup>6</sup>. While there are some young women who are engaged in shoe shining, the overwhelming majority (93%) are engaged in street coffee vending.

Education level is low among these youth. More than half of the young men and women never reached beyond grade six. The female youth have on average less education than the male youth and the proportion of women with no education (0.18) is six times more than that of men. The gender difference in education in this sample is also similar to the pattern among street vendors in other developing countries where male vendors are found to have more education than female vendors (Roever, 2014). Male youth in SSCV are less likely to be married and have kids than the female youth. More than one-third of the female youth are married or have children while only less than 10% of male youth have children or are married.

**Table 3 Socio-economic characteristics of youth in street based self-employment**

|   | Statistics | Male Youth | Female Youth | All | Significance test <sup>+</sup> |
|---|------------|------------|--------------|-----|--------------------------------|
| Engaged in shoe shining                   | %          | 99         | 7            | 77  | ***                            |
| Engaged in Coffee-vending                 | %          | 1          | 93           | 23  | ***                            |
| Education (highest grade completed)       | Mean       | 6.1        | 5.5          | 6   | **                             |
| Share with no Education                   | %          | 3          | 18           | 6   | ***                            |
| Share with higher than elementary (>6yrs) | %          | 42         | 42           | 42  | Not sign                       |
| Married                                   | %          | 8          | 35           | 14  | ***                            |
| Have a child                              | %          | 5          | 41           | 13  | ***                            |
| Years in current self-employment activity | Mean       | 2.0        | 1.3          | 1.6 | ***                            |
| Years lived in the city                   | Mean       | 3.8        | 7.4          | 4.7 | ***                            |
| Income per month, Birr                    | Mean       | 929        | 893          | 920 | Not sign.                      |
| Expect to remain in the occupation        | %          | 19         | 32           | 22  | ***                            |
| N (observation)                           |            | 339        | 106          | 445 |                                |

*Source:* Own survey data

+ Test of significance for difference between values observed for male and female respondents. \*\*\*, \*\* refers to significance at 1% and 5% level.

It appears that this informal self-employment activity is a transitional employment for a new migrant that serves as a transition stage towards better livelihood. On average youth in this self-employment have lived on average less than 5 years in their current city of residence. Moreover, youth were engaged on average for less than two years in shoe shining or coffee vending activities. More tellingly, close to 80% of the youth report that they plan to exit their current self-employment.

But it male youth seem more likely than female youth to consider SSCV as transitional, entry level occupation. The average number of years of residence in the current city is only 3.8 years among male in SSCV while female vendors have lived in the city on average for 7.4 years.

While 32% of the female youth expect to remain in their current job or occupation in the foreseeable future, only 19% of the male youth do so. Young women have spent fewer years in this self-employment activity than male youth, but this is perhaps related to the fact that street

coffee vending has become a more common activity in urban areas only recently, although street vending of snacks and fruits have been quite common for long.

Table 4 reports pre-migration occupation of the youth who are now engaged in SSCV. We see that approximately half of the youth were primarily students before migration. Of those who had a job, the overwhelming majority were working in the informal sector. Very few engaged in formal sector employment. Of those who were employed before migration, women are more likely to be engaged in the informal wage employment, and men more likely to be engaged in the informal self-employment.

**Table 4 Pre-migration occupation/employment of youth (% of respondents)**

|                                     | Male | Female | Total |
|-------------------------------------|------|--------|-------|
| Informal self-employment / business | 21   | 16     | 20    |
| Informal wage employment            | 14   | 26     | 17    |
| Formal wage/salary employment       | 2    | 1      | 2     |
| Formal self-employment or business  | 1    | 1      | 1     |
| Student                             | 52   | 40     | 49    |
| Unemployed                          | 10   | 17     | 11    |

*Source:* Own survey data

## (b) Heterogeneity within SSCV self-employment activities

### (i) Access to work space

Although the SSCV is an informal self-employment that is based on business on the street, finding a space to work is difficult even when there is a market for it. There are basically two forms of SSCV: stationed and mobile. Youth in stationed SSCV have a designated area where individuals have a *de facto* recognized spot where they set up their business. In stationed SSCV, the materials used for shoe shining and coffee making are packed and moved at the end of every working day, but the specific working spot of each vendor is recognized and respected within the group of vendors stationed in that place. On the other hand, youth in the mobile SSCV often do not have a specific work place. They carry their tools in a small parcel or box and move from place to place looking for customers. They work in places that have demand but are restricted



from stationed SSCV, or they walk along streets that are not particularly busy and hence do not have enough demand to establish a station. Some places are restricted by authorities to avoid jamming busy walkways or for security reasons while in other places nearby establishments prohibit youth from forming a station close to their business or office. The youth typically prefer the stationed businesses as it has relatively higher security and yield better income but SSCV clusters have usually a size of 6-10 persons and existing members do not allow expansion of the cluster once it reaches a certain size<sup>7</sup>. There are also those youth who settle on some spots alone or with one or two other friends but a sizable cluster has not yet been formed because of lack of demand. These youth are stationed but their work place does not have the recognition of the larger clusters. Table 5 shows the number of youth by work station status.

**Table 5 Distribution of youth in different kinds of work station status**

|   | Addis Ababa  |             |              | Hawassa      |             |              |
|---|--------------|-------------|--------------|--------------|-------------|--------------|
|   | Male         | Female      | Total        | Male         | Female      | Total        |
|   | %            | %           | %            | %            | %           | %            |
| Mobile vendor                           | 3            | 42          | 13           | 25           | 47          | 30           |
| Stationed: Small cluster<br>(1-3 youth) | 37           | 39          | 38           | 37           | 35          | 37           |
| Stationed: larger cluster (> 3 youth)   | 60           | 18          | 50           | 37           | 18          | 33           |
| Total                                   | 100          | 100         | 100          | 100          | 100         | 100          |
| <i>N(Total Observation/sample)</i>      | <i>(111)</i> | <i>(38)</i> | <i>(149)</i> | <i>(225)</i> | <i>(68)</i> | <i>(293)</i> |

*Source:* Own survey data

In Addis Ababa, only a small share of the youth in SSCV work as mobile vendors while in Hawassa there is a more equal proportion in each type of working condition. However, in both Addis Ababa and Hawassa, women are more likely than men to work as mobile vendors or in a small cluster<sup>8</sup>.

### **(ii) Income from SSCV self-employment activities**

Table 6 reports the average monthly income earned by youth engaged in SSCV. On average, youth earn 920 ETB per month (approximately 50USD)<sup>9</sup> from this self-employment activity. Youth in Addis Ababa earn more than those in Hawassa. This is not surprising since Addis Ababa is a big city with more customers and perhaps a higher charge for the services. Vendors in

stationed SSCV earn better than mobile vendors. And those stationed in larger clusters earn more than those in small clusters (all differences significant at least at the 5% level of significance on a t-test). This indicates that there is an entry barrier to stationed SSCV, especially for the large clusters. To explore this further, we present a first-order stochastic dominance test for the difference in income across different types of work station condition. We see a clear ranking of income from SSCV for the three types of work stations. The income distribution shows superior income for larger cluster suggesting entry barrier to the high yielding form of workstation. Income for mobile vendors is lower than that of stationed vendors (Figure 1).

Table 6 also reports the initial investment capital needed to establish the street vending trade. The mean investment ranges from 204 ETB in Hawassa to 728 ETB in Addis Ababa. Interestingly, the capital needed is lower for those in large clusters than for mobile vendors and small cluster vendors. This is true in both Addis Ababa and Hawassa. This may be related to the ability of sharing some ‘tools of the trade’, including seats, among group members in larger groups relative to mobile vendors<sup>10</sup>.

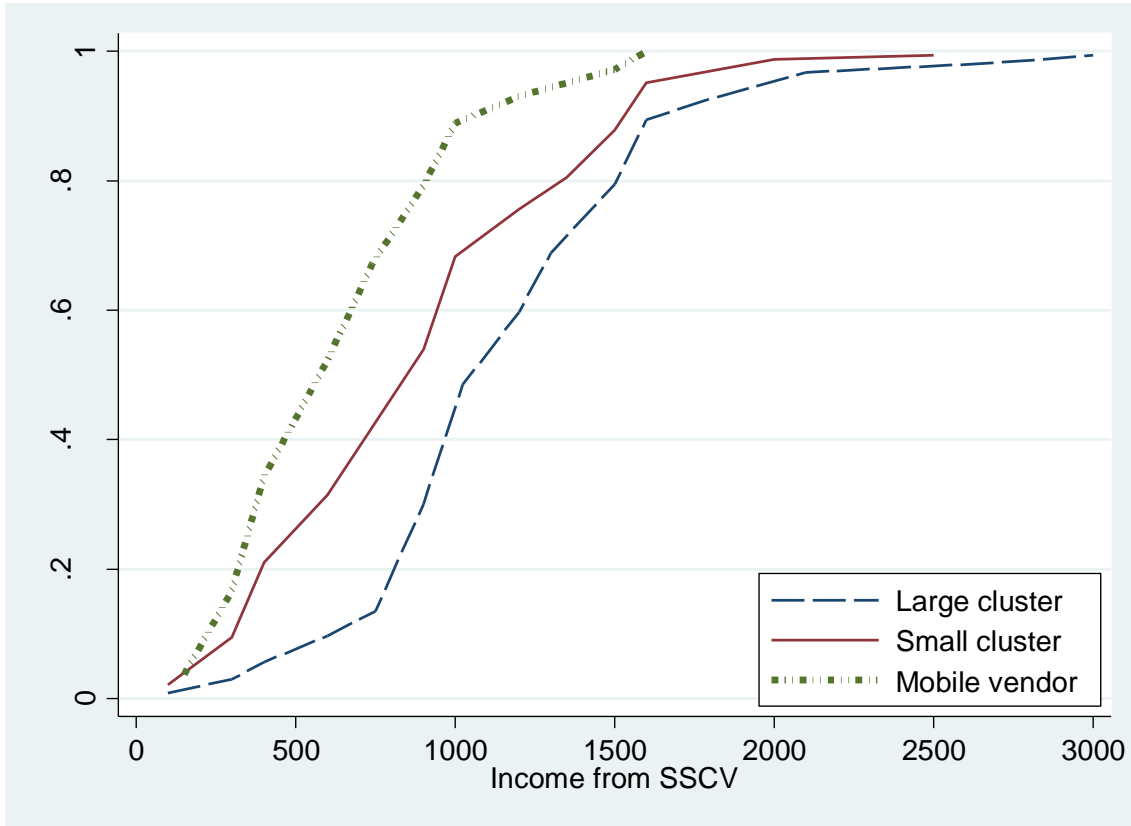
**Table 6 Average monthly income from SSCV and initial capital disaggregated by work station status and city/town**

| Work station status                               | Addis Ababa |         | Hawassa |         | Total |         |        |
|---|-------------|---------|---------|---------|-------|---------|--------|
|   | Mean        | Std.Err | Mean    | Std.Err | Mean  | Std.Err | Median |
| <b>Monthly Income<sup>+</sup></b>                 |             |         |         |         |       |         |        |
| Mobile vendor                                     | 947         | 92.12   | 541     | 31.85   | 613   | 34.09   | 600    |
| Small cluster                                     | 1119        | 77.11   | 761     | 42.36   | 883   | 40.46   | 900    |
| Larger cluster                                    | 1323        | 58.19   | 1015    | 43.96   | 1149  | 37.25   | 1050   |
| Total   | 1198        | 43.75   | 778     | 25.75   | 919   | 24.44   | 900    |
| <b>Initial capital needed (birr)<sup>++</sup></b> |             |         |         |         |       |         |        |
| Mobile vendor                                     | 728         | 193.33  | 363     | 37.97   | 427   | 47.58   | 300    |
| Small cluster                                     | 293         | 33.45   | 345     | 36.28   | 327   | 26.49   | 200    |
| Larger cluster                                    | 230         | 25.48   | 205     | 21.37   | 216   | 16.37   | 155    |
| Total   | 317         | 32.67   | 305     | 19.37   | 309   | 16.90   | 200    |

Source: Own survey data

+ The differences in income between mobile vendors and (all) clustered vendors and also between the two types of clustered vendors are significant at least at 5% level of significance in both urban center.

++ The differences in investment capital between mobile vendors and (all) stationed vendors is significant at least at the 5% level in both urban centers. But the difference in capital needed between the two types of clustered vendors is significant only for Hawassa (at 1% level of significance).



**Figure 1 Cumulative density of monthly SSCV income distribution by vendors' work station condition**

**(c) Challenges for youth in shoe shining and coffee vending self-employment**

The majority of the youth vendors in the sample (92%) reported facing different types of challenges in their self-employment activities. Table 7 summarizes the most important challenges disaggregated by location, gender and workstation condition of the youth. The most commonly cited challenge is job security and reliability which is perhaps related to the informality of their occupation. The second most cited challenge is inability to obtain enough income from their business. There is not much difference in the ranking of the important challenges across location, gender and workstation condition: job security/reliability is the most cited challenge except for mobile vendors for whom insufficient income is ranked at the top.

**Table 7 Most important challenges for youth in shoe shining and coffee vending self-employment activities (% of respondents)**

|                             | City/town |         | Gender |        | Work Station Condition |               |               | Total |
|-----------------------------|-----------|---------|--------|--------|------------------------|---------------|---------------|-------|
|                             | Addis     | Hawassa | Male   | Female | Mobile vendor          | Stationed in  | Stationed in  |       |
|                             | Ababa     |         |        |        |                        | small cluster | large cluster |       |
| Job security/reliability    | 44.7      | 37.2    | 38.4   | 43.4   | 18.8                   | 43.5          | 49.4          | 39.6  |
| Health impact of job        | 12.1      | 9.8     | 12.6   | 4.0    | 16.8                   | 11.7          | 5.2           | 10.5  |
| Personal security           | 7.6       | 4.7     | 5.8    | 5.1    | 4.0                    | 7.8           | 4.6           | 5.6   |
| Do not obtain enough income | 23.5      | 36.8    | 32.6   | 32.3   | 50.5                   | 28.6          | 24.7          | 32.5  |
| Others                      | 12.1      | 11.6    | 10.7   | 15.2   | 9.9                    | 8.4           | 16.2          | 11.7  |

*Source:* Own survey data

### (i) Job security and work place recognition

Whether youth work as a stationed vendor or a mobile one, their tenure security is limited with regard to eviction or displacement since they have no formal rights to their work place. When there is a road expansion, area development or any other construction that result in displacement of street vendors, there is no mechanism to provide them with an alternative place to work. In addition to that, youth vendors are also sometimes exposed to harassment, threat and physical abuse from security personnel and police or from other vendors due to lack of work place recognition . While sometimes youth vendors in SSCV are chased away from specific spots because those public spaces are off limits for such activities, at other times these vendors are chased away, harassed and threatened in an arbitrary fashion from places they had previously been allowed to work from. Table 8 reports youth experience of violence and harassment. About one in five youth vendor experienced some form of work related violence or harassment in the one month before the survey. We see that in Addis Ababa, mobile vendors are somewhat more vulnerable than vendors stationed in clusters but the difference in experience between those stationed in smaller and large cluster is not very large. On the other hand, vendors in large clusters seem to have better protection in Hawassa while those stationed in smaller cluster seem to be more disadvantaged than even the mobile vendors.

**Table 8 Experience of harassment or violence the last one month before the survey (% of respondents)**

|               | Addis Ababa | Hawassa | All |
|---------------|-------------|---------|-----|
| Mobile vendor | 26          | 19      | 20  |
| Small cluster | 21          | 24      | 23  |
| Large cluster | 20          | 11      | 15  |
| Total         | 21          | 18      | 19  |

*Source:* Own survey data.

There is no business license or permit that is officially issued by city officials to youth engaged in shoe shining and coffee vending activities in the streets, roadside and other public places. However, recent initiatives by public offices that are linked to city administrations and the police started to provide an implicit, semi-formal recognition through a registration of the workstations.

In Addis Ababa, this registration is done by the neighbourhood security branch of the police. The main purpose of the registration is to fight crime and keep order in the streets. The police provide training to the youth through workshops to create awareness and motivation on neighbourhood security issues. These youth vendors are then expected to cooperate with the police on crime and security issues in and around their location. All youth stationed in a place are registered whether or not they belong to large clusters or are single individuals or pairs. The main criterion is that they have a known station at the time of the registration. Youth members in each registered SSCV station are expected to report and register any additional member they would like to admit in that cluster. No other unregistered individual is supposed to base his or her work in and around that place. New individuals are thus able to register if the existing youth are willing to allow them to work in their area and facilitate their registration. Informal discussions reveal that this involves strong social network that is established through family relations or friendship. The police issue no formal work permit or ID card. But in some places the youth are expected to use an identifying uniform. This registration may allow youth to claim that they are legally recognized as working in that particular place, which may provide them with stronger claim to their work place which hitherto has been tacitly recognized. But other than this, youth obtain no other benefit; their activity is still not considered a business and their work place is not eligible for replacement or compensation if needed for public use or is leased to other businesses.

There is a similar mechanism in Hawassa that also focuses on registering stationed youth and collaborating with them on crime prevention and reporting to local authorities. But the registration in Hawassa differs from that of Addis Ababa in ways that makes it more favorable to the youth. The registration is carried out by the *kebele*<sup>11</sup> administration instead of the police. The *kebele* body that registers these youth creates an association for the registered clusters located in close range. The group's working place is recognized and a badge is issued to members to identify them as working in the specified place and belonging to the association. Other than the badge they are not issued with any formal documentation that they are organized and registered. Although they are not allowed to set up any structure such as house or shade, they will not be chased by police, security or competitors. Members are given training not only about crime prevention but also about the benefits of saving. The *kebele* also facilitates access to microfinance institutions which provide them with saving and credit services. Those who do not have residential IDs are issued with ID cards in their respective *kebele*. The youth believe that

they benefit from this arrangement in terms of access to microfinance and in terms of better protection from the police and administration. But the system seems to limit the dynamic adjustment as newcomers cannot be included unless another member is leaving the activity.

In both Addis Ababa and Hawassa, this registration is a new development and has not covered all parts of town. We did not have a direct question on the survey instrument asking whether or not these youth vendors have their work station/place registered in the new system.

## (ii) Income and food insecurity

One of the two most cited challenges of the SSCV activities is insufficient income from this self-employment. An average monthly income of more than 900 ETB per month (see Table 6) is not very small in Ethiopia where the national poverty line was 3781 ETB/year in 2010/11 (MoFED, 2012). Those who live alone from this self-employment income are well above national poverty line. The average monthly income from SSCV activities is in fact higher than the monthly income of an unskilled public sector employee<sup>12</sup>. This is true even for the lowest earning group-mobile youth in Hawassa.

The main concern in terms of food security for these youth is the precariousness of their livelihood. Given that the majority of these youth are migrants, loss of self-employment either due to loss of access to a work space or due to a health shock often have dire consequences. Since there are no formal institutions that provide support for unemployed youth, support through social networks is the main sources of safety net available to people in Ethiopia. Table 9 reports social protection expected by youth vendors in SSCV activities.

**Table 9 Social protection/ safety net from networks in case of loss of self-employment**

|             | Have support |     | Length of expected support for those who have social safety net (in weeks) |        |         |        |
|-------------|--------------|-----|--|--------|---------|--------|
|             | No           | Yes | Food   |        | Shelter |        |
|             | (%)          | (%) | Mean   | Median | Mean    | Median |
| Addis Ababa | 72           | 28  | 12.2   | 4      | 13      | 4      |
| Hawassa     | 75           | 25  | 9.2  | 4      | 11.3    | 4      |
| Total       | 74           | 26  | 10.4   | 4      | 11.9    | 4      |

Source: Own survey data

We can see that only a quarter of the youth state that they have the social safety net that can provide them with sustenance in the case of loss of livelihood. The majority of the youth (75%) do not expect to have access to food and shelter even for a day if they lose their self-employment and saving. These youth are very vulnerable in the cities because they have left their relatives and their villages where they would have been afforded with fall -back options in times of crisis. They, thus, risk ending up in the streets with dire consequences for their future and current welfare.

#### (d) Dynamics for youth migrants engaged in street based self-employment

Following the theoretical and empirical literature discussed earlier, we want to investigate here whether the migrant youth seek to move out of the street based self-employment. Table 10 reports planned occupational/employment change reported by youth. The majority of the youth seek to move out of their current street based informal self-employment. Proportionately more male youth (81%) want to leave their current informal self-employment than female youth (68%). Unlike the prediction from the neoclassical theory of migration, but in line with the empirical findings in India and Latin America, these street vendors are not primarily looking for transition into formal wage employment. The majority of those who want to move out of street vending are planning to establish their own business.

**Table 10 Planned occupational/employment change by youth engaged in SSCV**

| Planned/desired change in occupation/employment                 | Female % | Male % |
|---|----------|--------|
| Stay on same job/transit to similar job <sup>13</sup>           | 32.1     | 18.9   |
| Further study   | 1.9      | 7.1    |
| Formal wage employment or skilled self-employment <sup>14</sup> | 1.9      | 4.1    |
| Driver  | 1.9      | 11.5   |
| Establish own business/enterprise                               | 62.3     | 58.4   |
| Number of youth (observation)                                   | (106)    | (339)  |

*Source:* Own survey data

*Note:* Current street based informal self-employment is not considered own business.



Proportionately more female youth than male youth plan establishing own business, while the male youth have more diversified choice on occupational transition. A second popular occupational move is working as a driver. While working as a driver may not need very large investment, the training costs are substantial and there is a minimum educational level requirement to sit for driver license exam. Of those who indicated that they want to move to a better occupation than their current job, including for further education, 83 % reported that they are taking concrete steps to achieve their planned objective. Unfortunately, we did not collect data on detailed actions they are taking.

## 5 EMPIRICAL APPROACH

To analyze factors that are correlated with the decisions of youth to improve their occupation, we estimate a multinomial logit model that is based on random utility framework (Maddala, 1983, McFadden, 1973). We group youth's planned employment transition into four mutually exclusive choices: 1) Remain in SSCV or transit to equivalent informal employment, 2) Pursue (further) education as main activity, 3) Engage in formal wage employment or skilled self-employment (formal/skilled employment for short), and 4) Start own business enterprise. The response probabilities for the multinomial logit model with these four alternatives can be given as,

$$pr(y = j / \mathbf{x}) = \frac{\exp(\mathbf{X}\beta_j)}{\left[ 1 + \sum_{j=1}^4 \exp(\mathbf{X}\beta_j) \right]}, \quad j= 1, \dots, 4$$

where the first category, remaining in SSCV or transiting to equivalent informal employment, is used as a base outcome.  $\mathbf{X}$  is a vector that denotes factors that influence youth's decision to transit and the specific occupation chosen. The coefficients on these explanatory variables differ for each alternative. The sample used for the estimation includes only migrants to the respective city (98% of the total respondents). The first set of variables we included are age, gender, education and marital status of the youth. These factors reflect the preference as well as the capacity of youth to aspire to a better livelihood relative to staying in the same occupation and moving to a similar one. Controlling for other endowments, we expect that younger youth will be

more likely to aspire for occupational change because they have a better potential than older youth to develop the necessary skill, knowledge and capital with less pressure to settle on their current job and livelihood. We included gender to test whether young women are less likely to change occupation than young men. In terms of preference for change of occupation, we do not see an argument why young women would have less aspiration to change occupation than young men once we control for their endowment. But given the fact that young migrant women are perhaps less outgoing than young migrant men, they may have less information and confidence that is needed to change to a better occupation. We included an interaction variable between gender and education which tests whether young women with more education behave differently. We expect education to be positively correlated with aspiration to move out of street vending. Youth with more education are likely to have more information about other available opportunities, plan better and expect to succeed in their effort to exit street based self-employment. The effect of marriage on the probability of changing an occupation is ambiguous. On the one hand, we can argue that there is perhaps more pressure on married people to aspire to better paying and reliable occupations since they may have family responsibilities. On the other hand, the same family responsibility may put budget and time constraints and make them less likely to accumulate financial and human capital and less willing to take risk.

The needs and capacities of parents and relatives who live in the migrants origin is likely to affect the decision of youth in urban areas through the incentive and capacity effects. We included two variables to account for these effects. One is parents' land holdings. Larger farm size may indicate that parents are wealthier and thus less likely to need help from youth in the city or may even help in transiting to better employment. Alternatively, larger farm size may imply that the youth have better opportunity to go back to farming and may not want to advance further in the non-farm sector in urban areas, especially if the migration is temporary. Another variable that captures youth's responsibility to extended family is an indicator which takes the value one if the youth is the eldest in the household. Controlling for household endowments, we expect the eldest youth to have more responsibility and thus may be less likely to save enough to change occupation or to take a risk of taking up a new job. Youth migrants engaged in SSCV came from different backgrounds. Inherent capacity, motivation and past experience are likely to influence one's decision with regard to transition out of street based self-employment. To control for some of these issues, we included a categorical variable that indicates the main occupation

youth were engaged in before migrating to the city. We also included ethnicity as the cultural context may be relevant in forming the aspirations of youth.

## **6 ESTIMATION RESULTS AND DISCUSSION**

The results are reported in Table 11. Most of the results are consistent with our expectation. The coefficient on age shows that age is important factor for choosing further education. Controlling for current level of education, older youth are less likely to choose further education than staying in their current employment. The coefficient on current level of education is significant for formal /skilled employment. As expected, those who have relatively more education are more likely to seek formal /skilled employment than stay in their current employment, but it is statistically significant only at 10% level, perhaps due to the generally low level of education among migrants. It is interesting to note that, controlling for age, the current level of education did not affect the aspiration for further education.

Young women are less likely than young men to change occupation. And this is true for all occupations except establishing own business. However, the interaction variable shows that education increases the likelihood that young women's aspire to change their current occupation. With increase in education, young women may expect to have better access to employment outside of street vending, be more informed about existing opportunities and develop confidence. Married youth are less likely to choose further education and formal/skilled employment. It may be the case that the early sacrifices needed to pursue further education and during training for skilled job discourage youth who have family responsibility and hence cannot afford to take time in unpaid education or training. At the same time, they are more likely to seek work as a driver. Working as driver provides more stable income and one can obtain driving license while engaged in current employment and can look for work without leaving the existing job. In fact, most shoe shiners work close to taxi and bus stations and are in frequent contact with drivers.

**Table 11 Multinomial model estimation of determinants of planned occupational change for migrant youth in the informal self-employment**

| Variables   | Further Study |                | Formal/ skilled employment |                | Work as a driver |                | Establish own business/enterprise |                |
|---|---------------|----------------|----------------------------|----------------|------------------|----------------|-----------------------------------|----------------|
|   | Coeff.        | Robust Std.Err | Coeff.                     | Robust Std.Err | Coeff.           | Robust Std.Err | Coeff.                            | Robust Std.Err |
| Age   | -0.209 ***    | 0.068          | -0.065                     | 0.061          | -0.086           | 0.065          | 0.030                             | 0.024          |
| Female youth  | -5.472 ****   | 1.311          | -10.380 ****               | 0.908          | -9.263 ****      | 1.308          | -1.366                            | 1.015          |
| Education (in years)  | 0.026         | 0.106          | 0.204 *                    | 0.118          | -0.030           | 0.088          | -0.009                            | 0.070          |
| Female X Education  | 0.594 ****    | 0.163          | 0.947 ****                 | 0.117          | 0.863 ****       | 0.178          | 0.127                             | 0.144          |
| Married   | -12.830 ****  | 0.702          | -13.092 ****               | 0.868          | 2.223 ****       | 0.314          | 0.404                             | 0.320          |
| Parents' land size <sup>+</sup>   | 0.110         | 0.072          | 0.129 ***                  | 0.044          | 0.041            | 0.056          | 0.116 ****                        | 0.035          |
| Youth is the eldest   | -0.511        | 0.480          | -0.441                     | 0.521          | 0.106            | 0.306          | -0.089                            | 0.131          |
| Years of city residence   | -0.051        | 0.069          | 0.093 **                   | 0.036          | -0.047           | 0.035          | 0.009                             | 0.023          |
| <i>Network: Baseline: Less than 3 relatives and friends</i>                                 |               |                |                            |                |                  |                |                                   |                |
| Network2: 3-7 people  | 0.225         | 0.840          | 1.096 ****                 | 0.260          | 1.060 **         | 0.416          | 0.478 *                           | 0.263          |
| Network3: > =7 people   | 0.035         | 0.566          | 1.839 ****                 | 0.463          | 0.657            | 0.414          | -0.006                            | 0.331          |
| <i>Main engagement before migrating to current city: Baseline- Informal self-employment</i> |               |                |                            |                |                  |                |                                   |                |
| Formal wage/self employment   | 1.508 **      | 0.655          | -13.053 ****               | 1.047          | 0.560 ***        | 0.208          | 0.722 **                          | 0.347          |
| Student   | -0.002        | 0.438          | 1.332 ****                 | 0.340          | 0.227            | 0.226          | 0.814 ***                         | 0.266          |
| Unemployed  | -0.188        | 0.777          | 0.873                      | 1.440          | -0.281           | 0.479          | 0.456 **                          | 0.199          |
| Hawassa City  | -0.912 *      | 0.532          | -0.195                     | 0.643          | -0.945 **        | 0.397          | -1.092 ****                       | 0.318          |
| <i>Ethnicity: Baseline= Others</i>  |               |                |                            |                |                  |                |                                   |                |
| Wollaita  | -0.176        | 0.863          | -0.587                     | 1.152          | 0.376            | 0.445          | 0.220                             | 0.220          |
| Guraghe   | 0.025         | 1.090          | -0.641                     | 1.072          | -0.456           | 0.638          | 0.504                             | 0.361          |

|                       |        |       |             |       |       |       |           |       |
|-----------------------|--------|-------|-------------|-------|-------|-------|-----------|-------|
| Sidama                | -1.023 | 0.846 | -1.219      | 0.873 | 0.412 | 0.461 | -0.387 ** | 0.186 |
| Constant              | 3.461  | 2.681 | -3.461 **** | 0.922 | 0.788 | 1.042 | 0.191     | 0.674 |
| <i>Prob &gt; chi2</i> | 0.000  |       |             |       |       |       |           |       |
| <i>Loglikelihood</i>  | -425   |       |             |       |       |       |           |       |
| <i>Number of Obs.</i> | 426    |       |             |       |       |       |           |       |

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*Note:* The reference livelihood strategy (base outcome) is staying in current employment or transit to similar informal self-employment.

Significance levels: \*: 10%, \*\*: 5%, \*\*\*: 1%, \*\*\*\*: 0.1%.

+ Parents' land size is given per capita of siblings who live with the parents to account for wealth/poverty condition and inheritance possibility.

Youth who came from better-off households in terms of larger farm size are more likely to seek formal/ skilled employment and establish business, indicating that the wealth of parents translate into better capacity for the youth. Wealthier households are more likely to provide financial support necessary to get the relevant training for skilled and professional job and capital for business as well as the safety net in case of failure. Youth who came from better off households also have less financial responsibility and are thus more able to save.

Years of residence in the city is positively correlated with choosing formal / skilled employment. This is perhaps primarily related to acquiring information about the availability and requirement of such employment opportunities by those who lived longer in the city. The extent of the migrant's network is also found to be important for formal/skilled job and for working as a driver. Youth who have 3 or more friends and relatives in the city are more likely to choose formal/skilled employment and driving than those who have fewer friends and relatives. This shows the importance of network in landing good jobs in urban areas. Network is also positively correlated with the choice of establishing business but the statistical significance is weak.

Compared to youth who were engaged in the informal sector before migration, those with pre-migration experience in the formal sector employment are less likely to seek occupation in a formal /skilled employment relative to staying in the current occupation. This suggest that migrants who had formal sector employment before migrating and now engaged in SSCV have either willingly changed occupation and hence would not like to go back to it or were forced out and do not expect to obtain access. Past formal sector experience is, however, positively associated with planned change into all other occupations. Migrants who were students before migrating to the city are more likely to seek formal wage/skilled self-employment and establish own business than stay in their current occupation. Youth who were unemployed before migration are more likely to establish own business relative to stay in current occupation.

Compared to youth in Addis Ababa, migrants in Hawassa are less likely to change their current employment. Ethnicity is not a strong predictor of change in occupation except for youth from Sidama ethnic group who are significantly less likely to engage in own business.

## 7 CONCLUSION

Youth unemployment and the associated problems of poverty and lack of livelihood opportunities for young people are major global concerns. Sub-Saharan Africa has the youngest population in the world with the rate of growth in the youth population far exceeding the rate at which employment is being created by the public sector and formal private sector. In addition to the unemployed and the discouraged youth, approximately half of the working youth live under poverty. Youth migrants from rural areas, who are attracted to urban centers with the expectation of better employment opportunity and better livelihood, are exposed to additional risks since they may not have the same employment opportunity as urban born youth, and also because they lack the social safety net from family, relatives and friends in the urban areas that provide unemployed youth a certain level of access to food and shelter.

The informal sector employment is more accessible than formal sector employment to people with low human, financial and social capital. This paper has explored whether street based self-employment, the most visible and accessible type of informal self employment in Africa, offers a viable employment opportunity for migrant youth and the potential for those venturing into this activity to transition to better livelihood. The study is based on a survey of 445 youth who were engaged in shoe shining and coffee vending activities in two urban areas in Ethiopia.

We found that street based self-employment is dominated by migrant youth who are attracted by its low skill and capital requirements. 96% of individuals engaged in these street vending activities are youth and 98% are migrants from rural areas or smaller towns. We found that the average monthly earning of these self-employed youth is better than the minimum wage in the public sector and much higher than the official poverty line. We found that most of the youth consider this employment as transitional and accumulate skills and capital with a view to establishing their own business or joining skilled employment. While young women are in general found to be less likely than young men to aspire for a change in occupation, education increases the likelihood that young women aim to change their current occupation. Youth who came from better-off parents and those who have larger network in the urban area are more likely to aspire to change occupation.

The livelihood of youth in the street based employment is insecure due to lack of recognition to their work place. There is heterogeneity among these street vendors with youth who work in large clusters enjoying more tacit recognition and better income than mobile youth who are frequently exposed to harassment and earn less income than those in larger clusters. Young women are more likely to be trapped in this livelihood than young men. Access to credit, a formalized system for their work place recognition and training may help youth in their accumulation of skills and capital that will eventually help them secure better income and livelihood as entrepreneurs or skilled workers.



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<sup>1</sup> There are other diverse theories of migration from other disciplines including from sociology, political economy and geography. Like the neo-classical and new economics of migration, these alternative theories also influence the empirical literature as well as policies (for further discussion see De Haan, 1999; De Haas, 2010; Ghatak, Levine, & Price, 1996; Massey et al., 1993).

<sup>2</sup> Not all of informal employment are in the informal (unregistered/unregulated) sector but also informal employment in the formal sector

<sup>3</sup> There are 13 zones in SNNP. Each zone has its own town where the administrative offices are based. Hawassa serves as the capital city of the region as well as Sidama zone.

<sup>4</sup> During the pilot survey we learned that while children younger than 15 are engaged in SSCV activities, it is not very common to find adults 30 years and older engaged in these activities. Hence, all individuals in the survey areas are included in the sample except children younger than 15.

<sup>5</sup> The African Youth Charter defines youth as persons in the age group 15-35 (UN, 2014)

<sup>6</sup> Shoe shiners sometimes engage in other activities on the side, depending on the demand in their specific areas they are located. These activities include: selling cigarettes, gums and other such merchandise; car washing; and working as porter. Similarly coffee vendors may sell cigarettes, bread and other snacks on the side.

<sup>7</sup> Exceptions are very large public transportation centers in Addis where dozens of SSCVs could be found. But these are few centers across Addis Ababa

<sup>8</sup> More than 93% of the female youth are coffee makers. Coffee makers take spots among shoe shiners. We have not seen a cluster of coffee makers only. Typically only one coffee maker is found in each cluster except in very few cases in Addis Ababa where there are very large clusters of SSCV with more than two coffee makers. These large clusters are located in and around central public transportation hubs.

<sup>9</sup> Exchange rate in January 2014, 1USD  $\approx$  19ETB

<sup>10</sup> For example, in larger groups we have seen members sharing various special (infrequently used) brushes and creams while everyone has the basic creams and brushes. They also share benches which accommodate more than one customer at a time.

<sup>11</sup> The smallest administrative unit in Ethiopia similar to wards.

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<sup>12</sup> There is no minimum wage in Ethiopia but the scale used by the public sector has a starting salary of 420 ETB/month for the lowest rank employee with elementary level education. An increase of wage for the public sector has been announced in August 2014 <http://addisfortune.net/articles/government-announces-scale-of-civil-servant-salary-increment/>

<sup>13</sup> Transiting to similar job include working as porter, maid or guard in private home, coffee maker to shoe shiner or vise versa, etc.

<sup>14</sup> This include working in the public or private formal sector for wage and working as self employed as skilled worker such as in construction.