

**The Assessment of the Nature of Self-employment in Urban
Ethiopia: The Case of Addis Ababa
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Abstract

The major objective of this paper is to investigate the nature of self-employment choice in Addis Ababa. More specifically, to identify determinants of self-employment activities that make difference in the income level of self employed, and assess the gender difference in self employment entry, and performance of self-employed. The researcher deployed descriptive research method. In which both primary and secondary data/information are used. The primary data is collected using structured questionnaires and 150 sample respondents were involved from six sub-cities of Addis Ababa. Findings from the empirical investigation undertaken revealed that self-employment is a route out of unemployment rather than being something of an entrepreneurial activity. The two major factors that motivate self-employed respondents to start their business are government created conducive environment and personal interest to be self-employed. Self-employed individuals responded as they are satisfied with their current job. However, the income that the self-employed people are generating is very small that can lead individuals to prefer paid work to self-employment. The findings also revealed that the majority of self-employed individuals came from low income earning community. This implies that they are facing problem of finance for their daily expenses. The nature of self-employment in terms of educational background of respondents indicates that most of the self-employed people are educated up to secondary and preparatory levels. Concerning gender, females` participation in self-employment activities is very limited. Three major recommendations are generated by this study that include: the usefulness of self-employment must be included in the curriculum of the country so that it would be easy for any individuals to start business and become self-employed; there should be polices that recognize and encourage self-employment and its role; and there is a need to design information systems that generate, document facts/data about self-employed population.

Keywords: Self-employment, income level, urban Ethiopia and gender difference

1. Introduction

1.1. Background of the Study

Ethiopia is characterized by high growth of population with almost a subsistence economy. There is unbalanced growth between the population and the economy that has an effect on urban unemployment and the overall decline in wale welfare system. Failure to absorb large and growing labor force has tended to increase unemployment. Because of high population growth and the rural-urban migration, urban unemployment in the country is growing rapidly. Since country`s capacity to sustain employment opportunities is affected by more population, the problem is reaching its alarming stage in urban areas particularly in Addis Ababa (Desalegn, 2009). Therefore, promoting employment creation or business creation (self-employed) in the country as a whole and in urban areas in particular is very crucial in developing countries like Ethiopia. High level of unemployment and under unemployment is one of the critical socio-economic problems facing urban areas in Ethiopia. The unemployment growth rate in Ethiopia has increased to 3.85% in 2007 at national level and 22.5% in the capital city. The employment growth is unable to absorb the labor force growth with an increasing proportion of youth CSA (2013). The insufficient employment condition of youth has the failure to make use of an important factor of production, labor, for fostering economic growth (Ibid). In addressing these problems, promoting self employment can be one of the alternative solutions to unemployment Getnet (2003).

As Getnet (2003) states the promotion of self employment help to promote invention, innovation and creation of new jobs. Moreover, the promotion of self employment leads to a higher degree of completion in the product market, bringing gain to consumer. As a result, creation of self employment has remained a top priority in developing countries like Ethiopia.

In recent decades, self employment has been considered as a central issue concerning labor market choice. In fact, self employment is not only an interesting solution for individual who have a few opportunities in the wage sector or earn less than others with similar observable

characteristics but also an opportunity for the more dynamic individuals who seek different career path Nadia Simoes (2013).

In Ethiopia various recent studies have stated about the unprecedented level of unemployment that characterize urban Ethiopia. The problem is rampant especially among the youth which constitutes over a third of the urban population. That is the youth, who is the future of the country, is found in such a state is unfortunate and rather disquieting. As Getinet (2003) states that, one of tackling this problem of unemployment is possible through the promotion of self employment. This indicates the promotion of self employment activities in countries such as Ethiopia is proved as essential in easing the high level of unemployment. Sustained growth performance accompanied by rapid employment creation is ultimate to decide the fate of the unemployed. Nevertheless, the promotion of self employment can play a crucial role in this process. In urban Ethiopia in general there is unprecedented rate of growth of population which resulted in the growth of unemployment. As a result, promotion of self employment as one means to tackle the problem of unemployment must be taken as a primary concern (Getinet, 2003; krishnan, 1996, 2001; Krisnan et al).

Even as self employment continues to increase, policy makers remain largely unaware of this trend and fail to see it as an opportunity for addressing enduring joblessness. Self employment is often perceived to be a desperate effort of workers who have been laid off and unable to find work again: it is viewed as low paying, and as providing little or no benefit for the local economy. It may also be just a temporary phenomenon observed until the economy recovers. However, this perception is not true that self employment is now growing and likely to stay, and it motivates and urges policy makers to pay attention to this new work force reality.

While more studies with different data sets on the dynamic effect of self employment would be valuable, findings suggested that policy and educational programs directed at improving the productivity and earnings of the self employed could have high out comes in terms of local economic growth and opportunity (Stephan J. Goety, David A. Fleming, and Anil Rupasingha). In Ethiopia, supporting polices implemented in 2003 and 2004 to promote micro business creation, but those programs have not brought the expected results Hirut (2010).

Hence, it appears of interest to investigate the nature, and the main determinant and challenges of self employment activities.

In developing countries like Ethiopia, the magnitude of self employment has been increasing. According to Destre et al (2004), self employment has begun to be considered as an important source of new job and as an alternative to paid work. He also argues that, government programs have been introduced to promote this employment status since self employment has started to be considered as the dynamic economic activity, and as a possible answer to unemployment.

Ethiopia being one of the African countries with relatively fast growing population coupled with developing economies, proper management and utilization of its work force is essential. In this respect, the capacity of the economy in absorbing the labor force needs to be monitored regularly and appropriate employment policies should consequently be adopted. According to urban employment-unemployment survey, the total urban population of the country was estimated to be 16,141,046 of which 12,917,692 persons (80%) who were aged ten and above in 2014. In addition, the survey reveals at country urban level the size of employed population aged ten and above was 6,789, 992 persons in the past April 2014, and the remaining are unemployed. As a result, promotion of employment creation is very urgent in the country. Self employment must be treated as one of the alternative means of tackling employment problem in urban Ethiopia.

Rees at al (1986) argue that, self employment is broadening the choice facing both the potential of the labor force and the unemployed. In previous studies such as Hirut, 2010; Anwar etal, 2010; Blanch flower, 2000 examined a wide variety of variables in conjunction with their possible impact on individuals` decision to enter in to self employment. We can summarize these variables as follows; gender, age, education, experience, marital status, number of dependents or children, and level of individuals income. In addition, there are psychological traits of individuals such as risk attitude, test or expected satisfaction of self employed or wage workers from their work environment.

1.2. Statement of the Problem

Employment can be generated and enhanced in the public sector through investment in employment-intensive infrastructure development and through other employment programmers (PEPs). It is

clear that a labor-intensive approach, in a country where there is a massive underemployment and unemployment, would create job opportunities for many thousands of people from a given amount of investment without the need to compromise on quality and efficiency. Although there is a room for employment creation through the adoption of labor based approach in infrastructure, the actual employment gain via such approach have been limited in Ethiopia (Martha Kibru, 2012). Self employment has taken a higher place in non agricultural employment in developing countries. However, it is not well studied or understood. As Meager et al (2011) states, even if self employment covers a large place in total non agricultural employment in developing countries, the cause that lead to this employment status are not well understood. Moreover, there are very few previous studies on the nature of self employment choice in Ethiopia.

Unemployment and under employment in urban Ethiopia is now increasing fast because of un interrupted growth of labor force and low level of labor market absorption capacity, and job creation. Thus, promoting self-employment is one means of reducing urban unemployment and under unemployment. The main objective of this paper is to study the nature of self-employment choice in urban Ethiopia in general and more specifically in Addis Ababa.

1.3. Objectives of the Study

The foremost objective of this paper is to investigate the nature of self-employment choice in Addis Ababa.

In addition, the study has the following specific objectives;

- investigating and identification of determinants of self-employment activities that make difference in the income level of self employed, and
- Assess the gender difference in self employment entry, and performance of self-employed

2. Data and Methodology

2.1 The Data Set/Tools and Sampling

The study used both primary and secondary data. The primary data is collected through questionnaires, and the secondary data is collected from different published and unpublished sources. To realize the

objective of the study the researcher collected data on variables such as: education, income, experience, age, parent`s occupation, number of dependents, gender, marital status, working land, credit sources, and legal environment or policy and job mobility.

In course of collecting information from individual who are self-employed, this paper uses one of non-random sampling techniques which is quota sampling. This is because it is less costly way of selecting sample. The sample size of the study consists of 150 individuals who are engaged in self-employment activities.

2.2 Data Analysis

Data collected through questionnaire is processed and analyzed using descriptive analysis and theoretical analysis. The study analyzes the data through tabulation, graphs, pie-charts, and percentage. Most of respondents` answer changed in to numbers and percentages.

2.3 Significant of the Study

This paper can provide necessary information about the nature of self employment choice and the return for self employment in urban Ethiopia in general and in the study area in particular to those concerned bodies, policy makers, researchers and also to academicians or for any individuals who need to know about the above facts of self employment.

2.4 Scope of the Study

As regard to the coverage or scope of the study Sidest killo, Sheromeda, Piazza, Amist-killo, and Mercato and Arat-killo are taken as point of reference. Because, it is observed that in these areas there are many self-employed individuals concentration than other part of Addis Ababa. In addition to this, the major proportion of people in these areas is less income earners than other part of Addis. Due to the above fact the researcher use the data from these areas to analyze the nature of self-employment choice.

2.5 Limitation of the Study

The study like other studies has a number of limitations, though their impact dose not compromises its validity. One of the critical limitations

in this regard was the absence of reliable data on the level of income of self employed. The other limitation, which should be mentioned, was the unwillingness of the surveyed self employed to provide appropriate information and shortage of finance and time are limitation of the study.

3. Data Presentation and Analysis

This chapter is organized as follows. The first sub-section will be the description and explanation of the data and then the analysis of the data obtained from the secondary, and primary source respectively will be presented.

3.1. Data Description

The data collected in three weeks of April 2015. The respondents major sectors that the self employed engaged in were seven groups that include: pharmacies, beauty salons, daily laborers, barber shops, photocopies, small shops, boutiques. In addition to this, secondary data sources are used as complementary to primary data sources which are obtained from published materials such as CSA, Books, MOFED, and internet, etc.

3.2. Nature of Labor Market and Employment Status in Urban Ethiopia

According to CSA, the size of urban labor supply in Ethiopia is increasing. These trends are likely to increase labor market participation as better educated people are more likely to be active. Yet increased labor force skill and female participation also raise challenges, particularly in terms of youth expectations for better paying jobs. In contrast to this situation, employment opportunities are limited in urban Ethiopia. Table 1 below summarizes the situation.

Table 1: Summary of Labor Force Participation Rates in Urban Ethiopia by Age Group (%), 1999-2004

Age group	1999	2003	2004
10-14	21.9	10.2	8.6
15-19	51.6	36.1	33
20-24	81.4	71	66.3
25-29	90.3	84.9	81.6
30-34	91.1	89.1	85.2
35-39	91.1	88.2	87.3
>40	88.2	86.9	83.5

Source: from CSA (1999, 2004).

According to CSA, in urban Ethiopia, labor force participation has decreased from 65.4 percent in 1999 to 55.2 percent in 2004. This decline concerns women more than men. The participation rate for women reportedly decreased from 61 per cent in 1999 to 34 per cent in 2004, whereas the corresponding figures for men were 79 per cent and 50 per cent in the same years. As indicated in table 1 above, the drop in participation rate is particularly sharp in the age group 10-24, which implies a positive trend linked to increasing levels of education for young people.

3.3. The Trend of Self-employment in Urban Ethiopia

As it is observed from the figure 1 below (CSA, 1999-2004), in urban Ethiopia the trend of wage employed from a total of working population rose from 39.5 percent to 49.6 percent in the period 1999-2004, private wage employment decrease reaching 16.5 percent in 2004, while the share of public employment was 19.4 percent in the same year.

As the CSA data shows, in urban Ethiopia, self-employment remained the principal form of employment, despite a slight decline from 42.2 percent in 1999 to 41.3 percent in 2004. As of their contribution in solving the unemployment problem in urban Ethiopia, self-employment activities are seen as crucial. In addition, unpaid family work represents rather a small share of urban employment and declined considerably from 15.5 percent in 1999 to 7.2 percent in 2004. From gender perspective, the share of women in self-employment and unpaid family work has decreased, with the latter still remain the most common status in employment for women (see figure 1).

Figure 1 Summary of Trend of Self-employment, Unpaid Workers, and Wage earners in Urban Ethiopia, 1999-2004 in % age



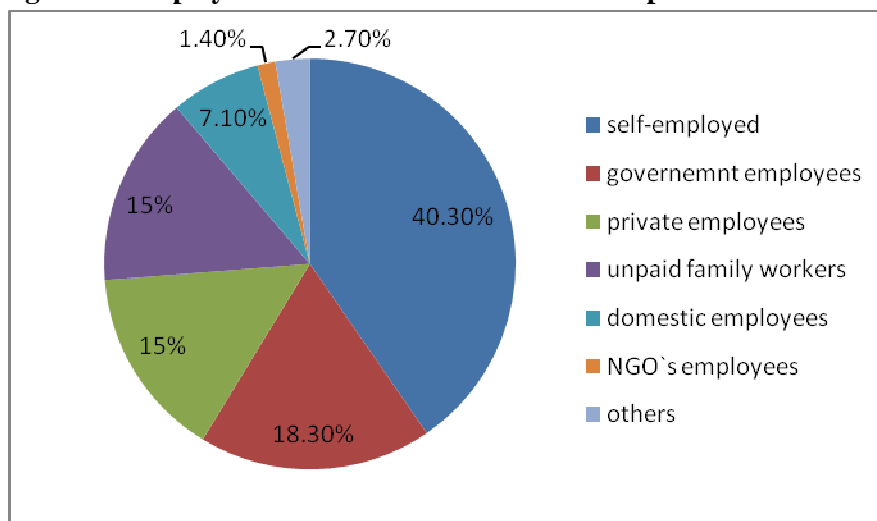
Source: CSA (1999, 2004).

3.4. Structure of Labor Market and Labor Absorption Capacity in Urban Ethiopia

The demand side of the labor market is highly constrained by its low absorption capacity. Even though employment in the public sector and formal private sector are well regarded because they pay well and offer career prospects, their capacity to absorb the growing labor force is very low. The Labor Force Survey (LFS) indicate that there are limited opportunities for new vacancies and low turnover in the case of public and formal private sector employment.

Out of the total income earner in urban Ethiopia, the largest share, with nearly half of the total, are self-employed, accounting for more than the government and formal private sector combined (see the figure 2 below).

Figure 2: Employment Distribution in Urban Ethiopia



Source; own calculation based on LFS, 2005

3.5. Demographic Characteristics and Nature of Self-employed

In this section we will see the personal characteristics and nature of the respondents in terms of type of business, gender, marital status, education, and age. The paper uses ratio, graphs, table and pie chart to make the presentation more clear.

3.5.1. Nature of Self-employed Business

Table 2: Self-employed Respondents by Type of Business

No.	Name of business	No. Of observation	Percentage (%)
1	Pharmacies	21	14
2	Beauty salons	35	23.33
3	Daily laborers	12	8
4	Barber shops	15	10
5	Photocopies	15	10
6	Small shops	44	29.33
7	Boutiques	8	5.33
8	Total	150	100

Sources: self-employed respondents for the questionnaires, 2015

As table 2 summarizes, the study categorized the activities of self-employed individuals in to seven groups. From all types of businesses

Small shops account for 29.33%, but in contrast to this, the smallest share of business type is Boutiques which accounts for only 5.33%.

3.5.2. Gender and Marital Status of Self-employed

The gender and marital status of the respondents show (see table 3) that male individuals are highly engaged in self-employment activity than that of females. Out of the total of 150 self-employed respondents, 68.66% are male and the remaining 31.33% are females. Moreover, table 3 shows that, most of the self-employed respondent individuals are unmarried. i.e. only 26.66% are married. Out of the total of self-employed respondents' unmarried individuals constitutes about 73.33% that show a higher involvement, out of the total 150 self-employed individuals. This suggested that self-employment activities are concentrated in the hand of males, and unmarried individuals.

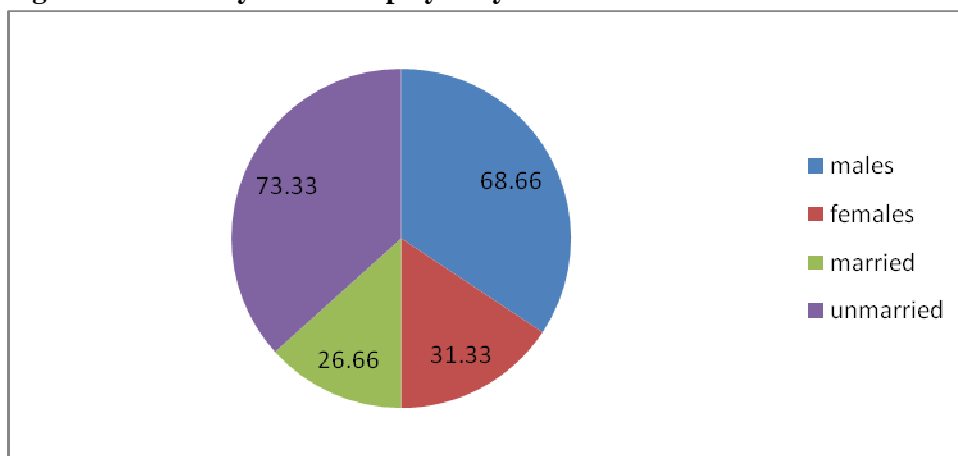
Table 3: Summary of Self-employed Respondents by Gender and Marital Status

No.	Name of business	Number of females	Number of Males	Number of Married individuals	Number of single individuals
1	Pharmacies	5	16	2	19
2	Beauty salon	7	28	9	26
3	Daily laborers	-	12	1	11
4	Barberies	-	15	8	7
5	Photocopies	11	4	7	8
6	Small shops	21	23	12	32
7	Boutiques	3	5	1	7
8	Total	47	103	40	110
9	Percentage (%)	31.33	68.66	26.66	73.33

Source: self-employed individuals responses for questionnaires of the study; 2015

For more clear observation of female and males' participation in self-employment activities, the detail is presented in chart as follows:

Figure 3: Summary of Self-employed by Marital Status and Gender



Sources: self-employed responses for the questionnaires

Female`s and Male`s Participation in Self-employment

The chart above (figure 3) shows higher males participation in self-employment activities than females. Out of the total self-employed respondents, only 31.33% are females. On the other hand, 68.66% of self-employed respondents are males. Concerning the male`s participation in the different types of employment activities, chart one above shows slightly higher male`s participation in self-employment than in wage work. The chart shows low role of female in self-employment activities than other employment categories. This is due to low attitude of the society towards females.

Marital Status of Self-employment Respondents

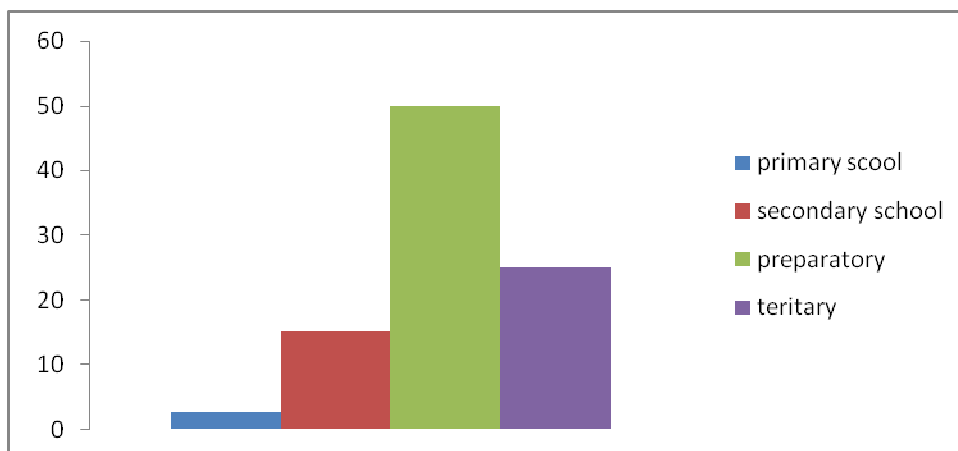
Out of the total self-employed respondents, 26.66% are married. On the other hand, only 73.33% of self-employed respondents are singles. These result show marriage has a higher impact in choosing self-employment as a career.

3.5.3. Educational Category of Self-employed

A good part of self-employment skills and qualities is education. It is one of the influential factors as far as personal development is concerned. Education is the factor to improve the level of economic performance of any business activities (Dawit, 1998). The data collected from the respondents` show that 92.5% of the respondents attended formal education, 2.5% attended primary school, and 15% and 50% of them attended secondary school, preparatory school

respectively; while 25% of them have attended tertiary level education. The data clearly show that the majority of self-employed come from those individuals completed preparatory education and could not get passing marks to join university or technical and vocational school. This is due to lack of capital and assistance to go for further education (see figure 4).

Figure 4: Summary of Self-employed Respondents by Education Category



Sources; self-employed responses for the questionnaires

3.5.4. Age Category of Self-employed

The age distribution of self-employed respondents shows that, the average age for the total respondents is 31.08 with standard deviation of 8.55 and coefficient of variation of 0.275 in addition, the age of the self-employed respondents' ranges from 18 to 55. This shows the age required to engage in self-employment activities is slightly lower than that required for wage worker. This can be due to the importance of educational attainment to engage in wage work. Since paid work requires academic qualification, one has to spend most of his age in formal education. As a result, the minimum age required to engage in paid work can be higher than that of self-employment (see statistical summary table).

3.6. Non-demographic Natures of Self-employed

3.6.1. Labor Participation

Self-employed respondents in the study area were assessed with respect to the generation of employment and the contribution to labor force. Accordingly, 77.2% of the respondents created job opportunities for family and hired labor and both while 22.8% of them did not create job opportunity for others. From table 4 below, 40% of hired labor got job opportunities in respondents` self-employed individuals. In addition, 12.6% of labor force came from family members. This implies the contribution of family labor was also significant. But, among the sampled respondents 24.6% of them did not give answer for the question (are missed answers).

Table 4: Summary of Self-employed Contribution to Employment Creation

Created job for others	No. Of observations	Percent
Family labor	19	12.6
Hired labor	60	40
Family & hired labor	34	24.6
Total	113	77.2
Missed answers	37	24.6
Total	150	100.0

Sources; self-employed respondents for the questionnaires

3.6.2. Previous Job Experience of Self-employed

Business experience of individuals most of the time paves the way to start their own business. It is the main driving force for the transfer of know-how and skills. The sampled respondents showed (see table 5) that 58% of self-employed respondents were looking for private business as an employee. And 20% of the respondents were own business operators. In addition, the study shows that 10% of the respondents were government employees and 5.33% of them employed in non-government organizations. But 6.66% of the respondents constitute those participated in different activities like as house wife, students, and unemployed, etc.

Table 5: Summary of Experience of Self-employed

Previous job of self-employed	No. Observation	Percentage
Own business	30	20.0
Private workers	87	58
Government	15	10.0
In NGOs	8	5.33
Others	10	6.66
Total	150	100.0

Source: Self-employed response for questionnaires

3.6.3. Source of Starting Capital of Self-employed

Different self-employed individuals may have different source of capital. These sources may include personal saving, families or relatives support, borrowed fund, and financial support from government and NGOs. The sample of self-employed used different source of capital at their starting period. About 52% of respondents used their own personal saving to start the business. Additionally, 22.66% of self-employed have got their starting capital from family borrowing and 17.33% of them got from different micro-finance institutions. Out of these, 4.66% individuals have used both own saving and borrowing fund from relatives. Only 3.33% of the respondents have got funds from different sources such as NGOs, government supports, and inheritance from families.

Table 6: Source of Starting capital of Self-employed

source of capital	Observation	Percentage
Own saving	78	52
Borrowed from families	34	22.66
Borrowed from micro finance	26	17.33
Own saving and borrowed from relatives	7	4.66
Others	5	3.33
Total	150	100.0

Sources: self-employed responses for the questionnaires

3.6.4. Source of Credit Services

To mitigate their operation problem an individual may require additional capital .i.e. credit services. This would enable them to upgrade their production capacity and to expand the existing businesses. Accordingly, 62.6% of the respondents (see table 7) have got credit services from different sources while 37.4% of them were not benefit from credit services. The data in table 7 shows that 35.3% of the respondents got credit services from micro-finance institutions and 17.3% got from credit associations. In addition, 8% of the respondents have got the credit services from relatives. But only 2% of the respondents got credit services from banks. This is due to lack of collateral by many self-employed individuals. The moment self-employed individuals go to bank for credit, the bank obliged them to bring collateral. Unfortunately, most of the self-employed individuals lacked collateral. As beginners they have no tangible assets of their own to use as collateral.

Regarding the remaining 37.4% of the respondents who are not beneficiaries of credit services, they brought different reasons as why they were not benefited. These includes lack of collateral, high interest rate and no need are the major issues. Consequently, 24.9% of the respondents did not get credit services due to lack of collateral while 7.5% of them did not get credit due to high interest rate charged by Banks and other micro-finance institutions. Only 5% of the respondents did not get credit services due to lack of collateral and high interest rate charged by Banks.

Table 7: Source of Credit for Self-employed

Source of credit	Observations	Percents
From micro-finance	53	35.3
From banks	3	2
From relatives	12	8
Credit associations	26	17.3
Total	94	62.6

Sources; self-employed response for the questionnaires

3.7. Major Constraints and Problems of Self-employed

In the promotion of self-employment activities, it is important to identify the root constraints and designing appropriate policies to address the problem of self-employment activities. However, the

diverse nature of self-employment activities may create difficulties in identifying the major ones.

Table 8: Major Constraints of Self-employed Rank

Ranking constraints	Lack of capital/income		Policy environment & lack of entrepreneurial ability		Lack of working place or land	
	Frequency	Percent	frequency	Percent	Frequency	Percent
Very sever	75	50.0	15	10.0	22	14.6
Sever	30	20.0	37	24.6	23	15.3
Moderate	26	17.3	26	17.3	45	30.0
No problem	19	12.6	72	48	60	40.0
Total	150	100.0	150	100.0	150	100.0

3.7.1. Lack of Capital or Income

The major source for any business is obviously finance and the availability of financial resources thus highly determines the productivity and development of any economic activities. From the sample data, the majority(50%) of the respondents ranked lack of capital as the number one(sever) constraints to self-employed individuals while 20% of the respondents are ranked as the second major constraints to their business. This implies that lack of capital is the immediate and major problem of self-employed individuals in the locality. For the simple reason that almost half of the respondents ranked it as the number one problem to their business. In addition, 17.3% of the respondents put lack of capital as the third problem to their business. Finally, 12.6% of the respondents put lack of capital as it is not their problem at all.

3.7.2. Policy Environment and Entrepreneurial Ability

Policies are the most valuable recourses with in any country. An essential ingredient in the economic growth of any country is the existence of conducive policy environment. As shown in the table 8, 10% of the respondents ranked policy environment and lack of entrepreneurial ability as the first problem to their own business and 24.6% of them ranked as the second problem to their business. While

17.5% of the respondents ranked as the third problem to their business. But the majority of the respondents (48%) of them ranked it as it is not their problem.

3.7.3. Lack of Working Place

Lack of working place is also one of the crucial factors which can undermine the performance of self-employed. According to table 8, 14.6% of the respondents ranked lack of working place or land as their number one problem to their business. Meanwhile, 15.3% of them ranked it as the second constraint to their business. In addition, 30% of the respondents ranked lack of working land as their third problem. While 40% of them choice it as it is not their problem at all.

3.8. Statistical Summary of the Determinants of Self-employment Activities

Starting capital: only 50% of the respondents gave information about their starting capital which ranged from a minimum of 400 birr to 6450 birr with mean, standard deviation, and variability of 5395.04, 10752.35, and 1.99 respectively. The remaining 50% resonates were not interested in providing information about their initial income or capital. The reason is not clear. From this, we can understand that the level of capital that is essential to start their business is very low. So, this limits individuals to expand the business they have.

Gender: concerning gender, out of the total respondents 68.66% are males and the remaining 31.33% are females showing unequal participation in income generating activities between females and males. This indicates that females` participation in self-employment in the study area is very limited. And hence, there exists a gap in income between self-employed women and men.

Marital status: out of the total respondents, 26.66% are married and the remaining 73.33% are unmarried. This can be interpreted as marriage discourages individuals from taking part in income generating activities. That is, unmarried individuals are more likely to be self-employed than married individuals. This is due to the fact that most individuals thought that self-employment is not more secure than being wage worker.

Age: the average age for the total respondents is 31.08 with standard deviation of 8.55 and coefficient of variation of 0.275. In addition, the

age of the self-employed respondents ranges from 18 to 55. This shows that, the age required to engage in self-employment activities is slightly lower than that required for wage worker. This can be due to the importance of educational attainment to engage in wage work. Since paid work requires academic qualification, one has to spend most of his age in formal education. As a result, the minimum age required to engage in paid work can be higher than that of self-employment.

Current income: out of the total 150 respondents, only 89.33% are willing to give information about their current income level. Average income of the total respondents is 2095.44 with standard deviation of 2700.41 and variability of 1.2887 birr. On average self-employed respondents have an income of 2095.44 Birr. This shows the income level which self-employed are generating is very small that can lead individuals to prefer paid work to self-employment.

Job stability: concerning job stability, the mean frequency of job stability for the total 150 respondents is 0.98 with a 1.560717 standard deviation and variability of 1.60, which indicates higher job stability in self-employment activities than other employment activities. This shows that self-employment activities are more secure. It is in opposite to people's perception.

Table 9: Statistical Summary of Determinants of Self-employed

Variables	No. of observation	Percentage (%)	Mean	SD	CV
Self-employed	150	100	-	-	-
Males	103	68.66			
Females	47	31.33			
Married	40	26.66			
Unmarried	110	73.33			
Age	150	-	31.08	8.5526	0.2751
Current income	134	89.33	2095.44	2700.41	1.2887
No. Of times jobs changed	150	-	0.98	1.560717	1.5925
Starting capital	75	50	5395.04	10752.35	1.993

Source; own calculation from the data obtained from respondents

SD= standard deviation.

CV= coefficient of variation defined as the ratio of standard deviation to the mean of the representative variables

4. Conclusion

This study has attempted to shed some light on the nature of self-employment in urban Ethiopia. Findings from the empirical investigation undertaken give some indication that self-employment is a route out of unemployment rather than being something of an entrepreneurial activity.

The development of small business (self-employment activities) has got undesirable attention both in developing and developed countries although it plays a major part in all spheres of economic activities.

The sampled data show that the majority of self-employed individuals came from low income level of the sections. This implies that they encountered a big problem of finance their daily expenses.

The nature of self-employment in terms of educational background of respondents suggest that the self-employed are generally significantly less likely to come from those that have completed higher level education. On the other hand, those with at most preparatory level education are significantly more likely to form the self-employed defined broadly.

The two most frequently answers in connection with self-employed motives to start their business are government created conducive environment and personal interest to be self-employed. And 97.5% of self-employed individuals are satisfied with their current job. Average income of the total respondents is 2095.44 with standard deviation of 2700.41 and variability of 1.2887 birr. This shows the income level which self-employed are generating is very small that can lead individuals to prefer paid work to self-employment.

About 52% of respondents used their own personal saving to start the business. Additionally, 22.66% of self-employed have got their starting capital from family borrowing and 17.33% of them got from different micro-finance institutions. Additionally the data show that, about 62.6% of the respondents have got credit services from different sources while 37.4% of them were not benefit from credit services. This is because of lack of collateral, high interest rate and no need for credit. According to the sampled data, lack of capital, lack of working land, policy environment and lack of entrepreneurial ability which account 50%, 14.6%, 10% respectively are the major constraint or determinants of self-employment activities.

As far as the trend of self-employment activity is concerned, the data from CSA show that self-employment activity in urban Ethiopia is increasing while unemployment is still remain rampant.

In addition to this, self-employed respondents in the study area were assessed with respect to the generation of employment and the contribution to labor force. This implies that self-employment activities are a major part as source of employment creation in the study areas.

Concerning gender and marital status, out of the total respondents 68.66% are males and the remaining 31.33% are females showing unequal participation in income generating activities between females and males. This indicates that females` participation in self-employment in the study area is very limited. And hence, there exists a gap in income between self-employed women and men. The sampled data also shows that, a out of the total respondents, 26.66% are married and the remain 73.33% are unmarried. This can be interpreted as marriage discourages individuals from taking part in income generating activities. That is, unmarried individuals are more likely to be self-employed than married individuals. This is due to the fact that most individuals thought that self-employment is not more secure than being wage worker.

5. Policy Implications

In developing countries such as Ethiopia, where unemployment is increasing from data to day, encouraging an individual`s to be self-creative or being self-employed is very essential. Unemployment in any of developing countries like Ethiopia cannot be solved by government and private sectors alone. Therefore, promoting of self-employment activities is one means of combating unemployment in urban areas. Unless unemployed individual create job for themselves, unemployment cannot be reduced in urban Ethiopia. Therefore, according to this study, the following polices can be useful for urban Ethiopia.

Firstly, the usefulness of this segment of employment (self-employment) must be included in the curriculum of the country so that it would be easy for any individuals to start business and become self-employed. In addition, if individuals are given training at high school, they can have know-how how to effectively manage and run business,

and they can be successful. This can create an opportunity for young to generate employment opportunities for themselves as well as to other peoples instead of looking for employment in government or private sectors.

Secondly, policies that recognize and encourage the role of self-employed in the economy must be designed. They are afraid of government tax. Therefore, encouraging them to be confident in themselves may be another incentive.

Third, as there is no enough information about the significant amount of self-employed individuals in Addis Ababa, This means the role and contribution of self-employed to the economy is undermined and did not added to GDP. Therefore, there is a need to design information systems that generate, document facts/data about self-employed population.

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