

# An Investigation of Determinants and Constraints of Urban Employment in Shone Town, Ethiopia

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## Abstract

This study focuses on assessing the determinants and constraints of urban employment in shone town, Ethiopia. It gives over all emphasis on the employment of the town and also identified some of the major constraints that affect the employment of the town which is highly important for the policy makers of the town and used as a stepping stone for further researchers. The main objective of this study was to assess the determinants and constraints of urban employment in shone town. In order to accomplish and achieve the objectives of the study both primary and secondary data were used. Primary data was collected through distributing questionnaires and personal interviews. Also secondary data was collected from the different sources such as magazine, books, and internet services. The obtained data has been analyzed through descriptive methods of data analysis in order to explain the study in reliable way and some statistical tools such as percentage, frequency and tables were used to present the findings. The findings of the study indicate that lack of startup capital, lack of experience and skill sharing mechanism, lack of market demand analysis and lack of sufficient incentives and supports are some of the binding constraints in the employment creation endeavor of the town. The study recommends sufficient expansion of financial institution, promotion of skill and experience sharing mechanism, promotion of sufficient startup capital and government provision of incentives.

**Keywords:** urban employment, economic growth, population

## 1. INTRODUCTION

Urbanization is the process by which towns and cities are formed and became larger as more and more people begin living and working in central areas in different economic activities. Urban development is a social, cultural, economic and physical development of cities.

Ethiopia is one of the African countries with the highest rate of urbanization. In Ethiopia 16% of the population is living in urban centers (Population census commission, 2008). However, given the 2.73% total annual population growth rate, high rate of in migration to towns, and increase in the number of urban center, the rate of urbanization is increasing at a rate of 4.4% (Ministry of Finance and Economic Development, 2006). Furthermore, the country's urban population is expected to grow on average by 3.98% and by 2050; about 42.1% of the total population is expected to be inhabited in urban centers (United Nation, 2007). Even though there are more than 900 urban centers in Ethiopia; from this the capital city Addis Ababa consisted of about 23% of the total urban population in the country (Population Census Commission, 2008).

There is a huge internal migration of people in Ethiopia among the internal migration of the country the rural to urban migration seems greatly contribution to the increase in the size of the population. It is because of the provision of better job opportunity in the urban area than in the rural area (Befekadu and Brihanu 1999/2000). A high and stable rate of job creation in the urban sector is the main source of equitable economic and social development. Cities create regular employment with wages which are often significantly higher than earning in the agricultural sector.

### 1.2 Objective of the study

#### 1.2.1. General objective of the study

The main objective of the study is to assess the determinants and constraints of urban employment in shone town.

#### 1.2.2. The specific objective of the study

The specific objective of the study is

- To analyses the increase in employment opportunity with development of town in the study area.
- To investigate the determinant of employment opportunities creation in the urban sector.
- To examine the factors constraining employment creation in the town.

## 2. Methodology of the study

### 2.1. Description of the study area

This study was carried out in the hadiya zone of shone town. Shone is also known as eastern badewacho is a town in southern part of Ethiopia located in hadiya zone of southern nation, nationalities and peoples region. Shone is Administrative town of eastern badewacho woreda that is located 340 km south of the capital Addis Ababa and 60km from capital of the zone hosanna and 120 km from Hawasa, which is the main capital of south

nation nationalities and people republic state.

## 2.2 Source of the data

The study employed both primary and secondary data.

### 2.2.1. Primary data

The primary data was collected through distributing questionnaires randomly to the employers of the shone town and interviewing some peoples in the town as well as local society who are engaged in different economic activities.

### 2.2.2. Secondary data

Secondary data was gathered from different sources, such as magazine, books, and internet services.

## 2.3 Method of data collection

### 2.3.1. Sampling techniques and sample size.

In this study simple random sampling technique was used to collect required data. The advantage of simple random sampling is easy to implement, avoid bias, done on small size of population. The target population is 45,702 from this population the number of employed is 32,324 and the number of unemployed is 13,378. The sample size was determined by using formula as indicated in (Bartlett and Higgins, 2001).

$$n = \frac{N}{1 + N(e^2)} \quad \text{where } n = \text{sample size}$$

$$e = \text{error term (10\%)} \\ N = \text{total population}$$

The 90% confidence interval is used which means 10% error term

$$n = \frac{N}{1 + N(e^2)} = \frac{32,324}{1 + 32,324(0.1^2)} = 99$$

However only 60 samples was taken as a representative sample size with the consideration of time and cost constraint.

## 2.4 Method of data analysis and presentation

After collecting the required qualitative and quantitative data the researcher would have used descriptive statistics to analyze the data and statistical tools like table and percentage to describe the relevant variables

## 3. DISCUSSION AND DATA ANALYSIS

### 3.1 Distribution of the respondent based on Sex

As it is presented in the table below the sex composition of the respondent shows that the number of male employee is higher than that of female. The number of male employee accounts 65% and the remaining 35% are females. This implies that the number of male employee is higher than that of the female employee in the town. Because the female participation in the town is very weak to compare with male regarding to the job. So in the town most of the female are unemployed.

Table 1. Number of respondents by sex category

Sex	Number of respondents	Percentage
Male	39	65
Female	21	35
Total	60	100

Source: own survey result, 2017

### 3.2. Distribution of sample respondent by age category

As indicated in the table 2 below, 40% of the respondent is found within the age limit of 26-30 which is the highest and the other smallest one is the age group of above 50 which is only 3.33%. From the below table 2 one can understand that more than half of the respondents were at the age of 26-30 and 31-35. This indicates that most of the employers are adults.

Table 2. Number of respondent by age category

Age	Number of respondent	percentage
Below20	1	1.67
20-25	8	13.33
26-30	24	40
31-35	11	18.33
36-40	9	15
41-50	5	8.33
Above 50	2	3.33
Total	60	100

Source: own survey result, 2017



### 3.3 Marital status of the respondents

The marital status of the people is grouped as married, single, divorced and widowed. It is used to ask or indicate whether a person is married, single, divorced or widowed. As shown in the table 3 below, half of the respondent 50% were married and more than one third 41.67% of the respondents were single. The remaining 5% were divorced and 3.33% were widowed respondents. From this we can understand that most of the employed people in shone town were mostly married employers who had contribution to business persons.

Table 3. marital statuses of the respondents

Marital status	Number of respondent	percentage
<b>Single</b>	25	41.67
<b>Married</b>	30	50
<b>Divorced</b>	3	5
<b>Widowed</b>	2	3.33
<b>Total</b>	60	100

Source: own survey result, 2017

### 3.4 Educational backgrounds of the respondents

As it indicates from table 4 below, the majority of the respondents are those who completed their diploma which is about 46.67% and the second significant proportion of the respondent is 23.33% those who completed degree and above, and about 18.33% of the employers were completed secondary school. Only 1.67% was illiterate and 10% completed primary school. Depending on this most of the respondents are completed diploma, degree and above because there is the expansion of education in the area and comfortable situation of the education in the town. So most of the employees are educated and the illiterate becomes very low.

Table 4 Educational Background status of the employee in shone town

Education	Number of respondent	percentage
<b>Illiterate</b>	1	1.67
<b>Primary</b>	6	10
<b>Secondary</b>	11	18.33
<b>Diploma</b>	28	46.67
<b>Degree and above</b>	14	23.33
<b>Total</b>	60	100

Source: own survey result, 2017

### 3.5. Year of residence

As seen in table 5 below, a great majority of the respondent 41.67% have lived in their respective cities for over 4-6 years, indicating that they have sufficient knowledge and experience of their respective cities and localities. The other 35% were lived only for 1-3 years and 15% were lived for 7-10 years in the town and the remaining 8.33% have lived for above 10 years. This implies that most of the respondents were familiar with the town and lived for long period of time and have sufficient knowledge to run their business and also as an employed person by working in different organization in shone town for a long period of time. So according to this they have enough experience about the town as well as how to solve the problems related with business.

Table 5. number of year's respondents lived in the town

Year	Number of respondent	percentage
<b>1-3year</b>	21	35
<b>4-6year</b>	25	41.67
<b>7-10year</b>	9	15
<b>Above 10year</b>	5	8.33
<b>Total</b>	60	100

Source: own survey result, 2017

### 3.6 Respondents year of employment

Most of the respondent was employed from the year of 2010-2016 but only the small minorities of the respondents were employed before the year of 2010. This implies that most of employee in the town is senior employees.

### 3.7 Type of Employment

Self employment is a situation in which an individual works for himself instead of working for an employer that pays a salary or a wage but wage employment is when one can earn for others pocket and the other one pay the person a very little from the total earning. As shown on the table below, according to the survey collected from

shone town, majority of the respondents are waged employee which is about 66.67% of the total employee who working for a salary or a wage to earn for others pocket and the other one pays for them a little from the total earning. The other 33.33% were self employed and working for himself or herself as the owner of a business and not as an employee of someone else. They earn their income through conducting profitable opportunities from a trade or business. This implies that majority of the employers in shone town were waged employee and self employee were lower than waged employee in shone town. Because waged employee accounts 66.6% and self employee accounts 33.33%.

Table 7. Respondents type of employment.

Type of employment	Number of respondent	percentage
<b>Self employee</b>	20	33.33
<b>Waged employee</b>	40	66.67
<b>Total</b>	60	100

Source: own survey result, 2017

### 3.8. Types of business in shone town

From the sample selected the number of self employed persons were 20 which is about 33.33% of the total employee and the number of waged employee were 40 which is about 66.67 % of the total employee. According to this the researcher illustrated the number of self employed and their sector of employee or business type as service sector, industrial/manufacturing sector, and others. Table 8 below shows that most of the self employed respondents were engaged in service sector business. the fact that, 65% of the self employed respondents were engaged in the service sector which includes hotels, and restaurants, public administrations, private households, education, health and social work. The other 25% and 10% were engaged in industrial/manufacturing sector and others respectively. This implies that majority of the self employed peoples in shone town are engaged in service sector and followed by manufacturing /industrial sector, and other respectively. Because in the town the development of the industry sector is very low due to this the most of the employee can engaged in the service sector which accounts 65% to compare with others.

Table 8. Business type of self employed peoples in shone town

Type of business	Number of employment	percentage
<b>Service sector</b>	13	65
<b>Industrial/manufacturing sector</b>	5	25
<b>Others</b>	2	10
<b>Total</b>	20	100

Source: own survey result, 2017

### 3.9. waged employee in different organization

The following table shows the 40 respondents were earns wage in different organizations such as private organization, public organization, NGOS, and others for the earning of wage. As shown on table 9 below, about 52.5% were government employee and 35% were private organization employee and also about 12.5% of the total employees in the town were employee in nongovernmental organization (NGOS). This implies that public organization plays a greater role in providing employment opportunities which is followed by the private organization. Because a few employee are engaged in private sector as well as NGOs organization since the need employee with high ability or skills to compare with government organization.

Table 9. Waged employee respondents in different organizations

Organization	Number of employment	percentage
<b>Private organization employee</b>	14	35
<b>Government employee</b>	21	52.5
<b>NGOS employee</b>	5	12.5
<b>Others employee</b>	0	0
<b>Total</b>	40	100

Source: own survey result 2017

### 3.10. Income source for self creative business

The main source of the income for the people is mostly from relative friends, from microfinance, from bank, from personal saving and others. According to this the researcher identified the source of income for the people in shone town on the following table below. Table 10 below, shows that majority of the respondents 46.67% get money from their personal saving to start their business, 35% through borrowing from relative friends, 10% from micro finance, 5% from other source, 3.33% borrowed from bank. In the town most of the employee start their business from personal saving and borrowed from relatives or friends because they are fearing to borrow from

micro finance as well as from bank by considering the amount of interest imposed on the money becomes very high and absence of collateral .

Table 10 Respondent's way of starting business and the source of income

Income source	Number of employment	percentage
<b>Borrowed from relatives/friends</b>	21	35
<b>Borrowed from microfinance</b>	6	10
<b>Borrowed from bank</b>	2	3.33
<b>From personal saving</b>	28	46.67
<b>Others</b>	3	5
<b>Total</b>	60	100

Source: own survey result, 2017

### 3.11 work experience of the respondents

Work experience is any experience that a person gains while working in a specific field or occupation.

As shown on table 4.11 below, majorities of the respondents 40% have work experience of 3-5 years and followed by 31.67% have work experience of 1-2 year. The other 23% have a work experience of above 5 years, indicating that they have sufficient knowledge and experience of their respective cities and localities. The remaining 5% have no work experience and new to the work who were employed at the current year and even works less than one year in the cities.

Table 4.11 work experiences of the respondents in shone town

Work experience	Number of employment	percentage
<b>None</b>	3	5
<b>1-2 year</b>	19	31.67
<b>3-5 year</b>	24	40
<b>Above 5 year</b>	14	23.33
<b>Total</b>	60	100

Source: own survey result 2017

### 3.12 job creation by the government for employment

The government can stimulate job creation when it invests in project that improve or create new services. As shown on table 12 below, majority of the respondent which accounts about 76.67% believed or responses that the government has done enough on creating employment opportunities but about 23.33% from the total responses that the government have little effect on creating employment opportunities.

Table 12 Response of respondents for job creation by the government to them

Do you believe that the government has done enough on creating employment opportunities	Number of respondent	Percentage
<b>Yes</b>	46	76.67
<b>No</b>	14	23.33
<b>Total</b>	60	100

Source: own survey result 2017

### 3.13 Employers job improvement in their living condition

As shown in table 13 below, 60% of the respondent were saved and supported their families through the job he/she is employed in where as the remaining 40% responded not.

This implies that majority of the employers in shone town had saved and supported their families through the wage earned and income generated from self creative business. Also some employees were not satisfied from the wage earned or income from self creative business and works only from hand to mouth.

Table 13 employer's job improvement in their living condition

Do you believe that the job you have been employed is improves your living condition	Number of employment	Percentage
<b>Yes</b>	36	60
<b>No</b>	24	40
<b>Total</b>	60	100

Source: own survey result, 2017

### 3.14 Services given by the employee in different organization

As shown in table 14 below, 55% of the respondents given their service in their current organization that he/she could working in. about 31.67% of the respondents given service for less than 2 year in their current

organization. The other 13.33% gives service for 6-15 years for the organization and also no one given service for their current organization for above 15 years. This implies that majority of the employee in shone town given service in one organization mostly for 2-5 years.

Table 14 employee service in current organization

Year of service in the current organization	Number of respondent	Percentage
Less than 2 year	19	31.67
From 2-5 year	33	55
From 6-15 year	8	13.33
Above 15 year	0	0
<b>Total</b>	<b>60</b>	<b>100</b>

Source: own survey result 2017

### 3.15 The impact of rural to urban migration on urban employment

Migration put great strain on the city life to cope with rapid growth of population in the urban area. In broad prospective the shift of population from rural to urban areas mainly reflects the process of industrialization and changing in the demand for labor. Migration has strongly influenced population movement in many countries but by and large people move to town and cities for higher income and better job opportunities (Barrett 1992). As it is reported by employers in the urban area, the migration of people from rural to urban area had positive and negative effects. the people who responded the migration of people from rural–urban area has positive effect were only 11.67% and those who responded the migration of people from rural to urban area has negative effects were 88.33%. This shows that as they mention, most of the time migration from rural to urban area has negative effect on urban employment. (See table 15 below). According to respondents the negative effect of rural to urban migration on urban employment could decrease the job opportunity in the urban area and increase the number of unemployed people in the town, poor housing situation, and an increase in the rental price in the town, that makes an employee to pay more for the rent of house.

The small minority of the respondent that is about 11.67% of the total employee responded that the migration has positive relationship with the urban employment with those people migrated from rural to urban. This implies that increased man power in urban centers provides cheap labor to the industries and self employed peoples those who run their own business and needs high cheap labor force. But rural to urban migration affects the urban employment at high degree or their negative effect takes a lion share.

Table 15 Impacts of rural to urban migration on urban employment in shone town.

Do you believe that, the migration of people from rural to urban affects the urban employment in shone town	Number of respondent	Percentage
Yes	53	88.33
No	7	11.67
<b>Total</b>	<b>60</b>	<b>100</b>

Source: Own survey result 2017

### 3.16 problems for self employment or self creative business

There are many problems that affect the self creative business for self employment. The researcher identified the problems that the self employers face in starting their own business. This the main problems were lack of startup capital, lack of market, lack of skilled man power, and lack of entrepreneurial activities as shown on the following table.

Based on the table 16 below, the highest problems came from lack of startup capital which account for 43.33% of the total problems. The second largest problem is from lack of the market, which account 25% of the total problems. The third largest problem is a lack of skilled man power. This problem accounts 20% of the total problem. The other problem is lack of entrepreneurial activities which account 11.67% of the total problem. This implies that most people's lack startup capital to run their business in order to create employment in that business. As the result, most people lack capital to start business.

Table 16 problems to start their own business in shone town

What problems do you face in shone town for self employment	Number of respondents	percentage
Lack of startup capital	26	43.33
Lack of market	15	25
Lack of skilled man power	12	20
Lack of entrepreneurial activities	7	11.67
<b>Total</b>	<b>60</b>	<b>100</b>

Source: own survey result 2017

### 3.17 investment and employment

As indicated on table 17 below, about 40% of the respondents responded that the investment in the town is creating employment but the other 60% responded that no. this implies that the level of investment in the town to create employment is very low. This means there is no large industries as well as industries or investments that are more labor intensive. In this case some respondents responded that there were some low investments like, hotels and restaurants, construction financial institutions, education, health, which needs man power. This implies that the town is found at low investment to create the employment very well because of the low investment in the town.

Table 17 Investment and Employment in shone town

Does the government in shone town attract more labor intensive investment to create more job for the people	Number of respondents	percentage
Yes	24	40
No	36	60
Total	60	100

Source: own survey result 2017

### 3.18 The amount of income generation

When the people engaged in different activities in order to generate income either they obtain sufficient amount or not. It depends on the business type. Based on the table 4.18 below implies that the majority of the people live in the town obtains sufficient amount of income which accounts 66.6% of the total employment. However, the minority of the respondents that is about 33.3% of the total employee not obtains that much amount of income from their business. They only work for hand to mouth.

Table 18 the amount of income generation

Is your business provide sufficient amount of income for you in monthly	Number of respondents	percentage
yes	40	66.67
no	20	33.3
Total	60	100

Source; own survey result, 2017

### 3.19 The level of income generation

From the sample selected the number of the employment that obtains the sufficient amount of income were 40 which is about 66.67% of the total employee. According to this the researcher illustrated the number of employment according to their level of income.

Table 4.18 below shows that the respondents obtain their income depending on their business type. So most of the employment generates income from 2000 to 3000 which accounts 40% and 35% respectively. The remained two their level of income is higher to compare with the above mentioned they obtains 5000 and above 5000 which accounts 17.5% and 7.5% respectively. Depends on this the majority of the employment generate income from 2000 to 3000 in the monthly.

Table 19 the amount of income generation

The amount of income they obtain from their business	The number of respondent	percentage
2000	16	40
3000	14	35
5000	7	17.5
Above 5000	3	5
Total	60	100

Source, own survey result; 2017

### 3.20 The way of obtaining incentive or supports to start the business

Peoples get incentive from different direction. From that the people obtains incentive mainly from government organization, local community, NGOs, family and others.

According to this the researcher identified the way were the people gets incentive in Areka town on the following table .Table 20 below show that majority of the respondents 38.5% gets incentive from family to start the business, 35% through obtains from government organization, 23.3% from local community and 3.3% from NGOs. This implies that the incentives or supports obtained from family higher than the other.

Table 20 the way of obtaining incentive or support to start the business

Who provide incentive or support to start the business	The number of respondent	percentage
From government organization	21	35
From family	23	38.4
From local community	14	23.3
From NGOs	2	3.33
total	60	100

Source, own survey result; 2017

### 3.21 The problem that faces business operator in day to day activities

There are many problems that faces business operator in day to day activities. These main problems were lack of transportation, electricity power, lack information and rural to urban migration. Based on the table below the highest problems for business operator in day to day activities come from rural to urban migration which accounts for 40% of the total problem. The second problems are from lack of information which accounts 23.3%. The third problems from lack of transportation which accounts 20% of the total challenges. The other problem that faces day to day activities is lack of electricity power which accounts 16.6% of the total problems. This implies that the highest problems for business operator come from rural to urban migration.

Table 21 the problems that face the business operator in day to day activities.

What are the challenges facing your day to day activities	Number of respondents	percentage
Rural to urban migration	24	40
Lack of information	14	23.3
Lack of transportation	12	20
Lack of electricity power	10	16.6
Total	60	100

Source; own result, 2017

## 4. Conclusion and Recommendation

### 4.1 Conclusion

The study was aimed to evaluate the determinants and constraints of urban employment, specifically the case of shone town. The survey data was collected from 60 individual employee of the shone town by using descriptive techniques to analyze and present the result. The result of the study indicates that from the total employees about 66.67% were waged employee and the remaining 33.33% is self employed peoples. This indicates that majority of the employee working for salary or a wage in different organizations like private organization, government organization, NGOs and others. The small number of employee works for himself or herself as the owner of business or those who run their own business and not as an employee of someone else in the town. Based on the result of the findings it is possible to conclude that the majority of the problem for business person comes from lack of startup capital which accounts about 43.33% of the problem. This may be due to low income and low saving of the people. The second largest problem of urban sector employment was lack of market for business persons which account 25% of the total problem which face the business persons of the town.

This might be low income of the people in and around the town. The result of the study also indicate that employment opportunities in the urban sector are mainly determined by employment in the government sectors which includes service sector, industrial sector, manufacturing sector and other infrastructures.

The result of the study shows that to start their business, majority of the respondent used personal saving and availability of funds from bank and microfinance is very low. This may show that until now the government attention to expand these facilities is low in the town.

Both when business started and at current time educational level of employees is at low level. It is possible to conclude that the facility or opportunity in this area has not been fulfilled or they may not have willingness to attend school.

From the factors that constrain the urban employment in the town, Rural to urban migration creates a strain on the urban employment specifically in Areka town by decreasing the number of job opportunities and increase the number of unemployed people in the town. Also the town is known by low industrial expansion or there were no large industries in the town that create employment opportunity for the people due to low investment in the town.

### 4.2 Recommendation

Based on the result of the analysis the study forward the following relevant recommendation. First, Business community should be aware that getting training on business and applying knowledge to the changing business conditions is a road to becoming a good entrepreneur.