

The Role of Income Generating Activities for Livelihood Improvement of Women and Youth in Addis Ababa: The Case of Yeka-subcity

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Acronyms

H –Human capital
S-Social capital
F-Financial
P-Physical
N-Natural capital
MSEs-Micro and Small-scale Enterprises
IGA-Income Generating Activities
ATT-Average Treatment effect on Treated

Abstract

Ethiopia is one of the poorest countries in the world with high rate of unemployment of women and youth. This rate is higher in urban than rural areas. In order to minimize the economic and social costs of high urban unemployment rate and raise the income of people living under poverty, the government has adopted income generating schemes through promoting MSEs. The study examined the role of such IGA for improving the income (via expenditure approach), saving, and decision-making of participants in Addis Ababa by taking Woreda 11 as a case and using quantitative and qualitative methods. The quantitative method employs propensity score matching and multiple regression analysis to assess financial asset improvement of participants. On the other hand, the qualitative method uses descriptive statistics, key informant interviews, and FGDs to assess the IGA profiles by gender and education of participants and beneficiaries' psycho-social change brought by the program. Findings show that the major types of IGA are construction, manufacturing (metal work, woodwork, and food preparation), service, and trade. Of those who are engaged in food preparation, 96% are women whereas 85% of those engaged in construction are men. This shows that women are more into IGAs that perpetuate their traditional roles as food providers, which is reported to be mainly due to lack of skills for other activities. Also, findings show that program participation is increasing among graduates of higher learning institutions as shown by the growth in participation from 9% at the current IGA implementation stage to 20% at the training stage. Findings further show that participation in has brought significant improvement in participant households' total monthly expenditure (1%), saving (5%), and equb contribution (5%). IGA has also contributed to improving participants' decision-making and self-esteem.

Keywords: IGA, Addis Ababa, financial asset, Women, Youth

Introduction

Poverty alleviation is recently recognized as the primary objective that a development process shall pursue, especially in developing countries. A renewed global focus towards reducing poverty has been demonstrated following the UN MDGs aspiration to reduce poverty by half by the year 2015.

As a result of series reforms undertaken since 1992, Ethiopia has been making progress in reducing poverty and improving human development index by 32%(Human Development Report 2011). It has also achieved and maintained double digit growth in recent years, positioning itself as one of fastest growing, non-oil economies in the world. However, being the third most populous in Africa, and second largest in sub-Saharan Africa, Ethiopia remains one of the poorest countries in the world, and ranks 174th out of 187 countries in Human Development Index (UNDP 2012).

Recently, Ethiopia has designed and implemented development strategy called The Plan for Accelerated and Sustained Development to End Poverty (PASDEP), which is an improved updated version of the earlier PRSP, to attain the goals and targets set in the MDGs at a minimum.(MOFED 2010) The main objective of the PASDEP is to lay out the directions for accelerated, sustained, and people-centered economic development as

well as to pave the groundwork for the attainment of the MDGs by 2015. The strategies under PASDEP include promoting women & youth empowerment and equitable benefit, sustaining faster & equitable economic growth and enhancing of social development. To achieve these, various activities including promotion of income generating activities were designed and implemented.

Some of anti-poverty and income generating programs carried out by non-governmental organizations pay attention to using community owned resources that are built on the talents and skills of the community members by targeting various segments of the society and women in particular.

Objective of the study

In general, the study is aimed at assessing the role of income generating activities (IGA) for improving the livelihood of women and youth in Addis Ababa city within the framework of Sustainable Livelihoods Approach. Specifically, the study:

- I. Identifies the main types cooperative IGAs', gender and educational profiles of participants
- II. Assesses the improvement of financial asset component of sustainable livelihood for those participating in income generating activities;
- III. Examines the role of IGA in empowering participants

Conceptual framework

Conceptualizing the role of IGA for improving livelihoods

The aim for using sustainable livelihood framework is to have a clear image about the intermediate factors that affect the relationship between the role that income generating activities could play in economically empowering women and youth through provision of credit, training which is expected to bring direct improvement in their financial asset holding.

Vulnerability context shapes the external environment in which people exist. It has three elements. These are: shocks, trends and seasonality. They affect the wider availability of assets and policies. Due to this, people have limited or no control over components of livelihood. The expansion of micro and small scale enterprises is expected to economically empower unemployed women and youth.

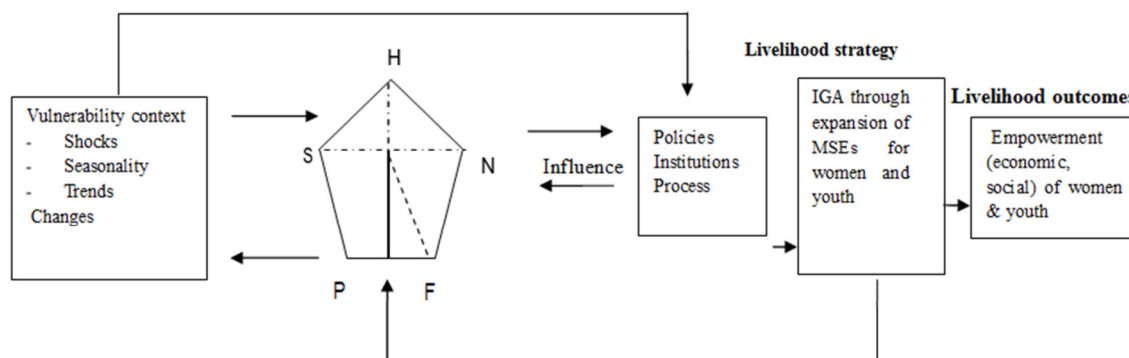


Figure 1. Conceptual framework for analyzing the role of IGA within the sustainable livelihood framework (adapted from DFDI, 1998).

As depicted in Figure 1, vulnerability context is understood as insecurity in the well-being of individuals, households, and communities in the face of changes in their external environment. People move in and out of poverty and the concept of vulnerability captures the processes of the change. In this essence, shocks can be sudden changes in the external environment on which all people can live and exist. Seasonality can be of prices, production, and employment opportunities. Trends may include resource trends, (including conflict), national/international economic trends, and technological trends. Moreover, livelihood consists of the capabilities, material and social resources and activities required for a means of living. Livelihoods include all of the activities that people obtain their food and income from, including different kinds of employment and business activities and it is said to be sustainable when it can cope with and recover from stresses and shocks and maintain or enhance its capabilities and assets.

Financial capital can be held in several forms such as cash, bank deposits, liquid assets such as jewelry or resources obtained through credit providing institutions; and regular inflows of money, including earned income, pensions, other transfers from the state and remittances. Financial capital can be measured through household income, property value and employment.

Sampling procedure

The study used both qualitative and quantitative methods. Quantitative method is used to measure financial asset improvement of IGA of participants due to their participation in IGA. Qualitative method is used to assess if the

income generating activities have brought changes in terms of decision making and self-esteem among the participants.

The study used two groups of samples namely, IGA participants who stayed in the program for a minimum of three years and non-participants. Sample IGA participants were randomly selected from the total population of IGA participants in the Woreda, which is 1,020 individuals consisting of 580 males and 440 females. Similarly, sample non-participants were randomly selected from the list of people in the training phase, who have not yet started generating income. A total of 850 individuals consisting of 510 males and 340 females were found to be on the training stage.

As suggested by Gay (1983; cited in Kumar 1999), 10 to 20% of the accessible population is a sufficient sample size for descriptive studies. Accordingly, in this study 10% from each of the IGA participant and non-participant population groups were selected by using stratified sampling technique which resulted in a total sample size of 187 individuals. In addition, participants of key informant interview and focused group discussions were purposively selected based on participation in IGA for at least three years and their current status. This makes the total sample size selected by using both random and non-random sampling methods from each population groups of the study to be 205.

Literature Review

Various arguments have been put forward concerning the role of MSEs (IGA) on economic development and livelihood of the participants. These are majorly categorized into advocates and opponents.

Arguments for MSEs' (IGA) role in economic growth and poverty alleviation

Since the 1980's international aid agencies and the World Bank have been giving direct or indirect supports to MSEs to accelerate economic growth and to reduce poverty in LDCs (World Bank 2002; 2004). Also many non-government organizations (NGOs) from donor countries that have regional offices in many LDCs have been actively involved in assisting MSEs in these countries.

The World Bank gives three core arguments for supporting MSEs in LDCs, which is in line with the arguments of the 'modern' paradigm on the importance of MSEs in the economy (World Bank 2002; 2004).

In particular, the commercial nature of the urban economy, which requires its residents to pay for basic goods and services, means that many of the challenges in urban poverty relate to lack of income (Mitlin 2000:205). Hence, authors on urban livelihoods accentuate that cash is very important in everyday life especially for urban dwellers (Farrington *et al.* 2002; Meikle *et al.* 2001)

Because the urban poor lack income, their diet is insufficient for good health and it becomes difficult for such families to invest in education. It also means that they find it difficult to save and secure assets rendering households particularly vulnerable to crises.

Urbanization, characterized by rapid population growth and widespread poverty, has led to a heavy reliance on informal sector in most built up areas in the developing world (Rakodi 2002:27). The inability for most households to survive on one person's income, which is often the case, is compounded by the scarcity of jobs in the formal sector. Therefore, income generating programs (IGP) are introduced to address the issue through providing a source of income for the poor and unskilled segments of the society.

It is believed that micro- and small-scale enterprises play a vital role in countries where medium and large scale industries and enterprises are at their infant stages. They are of paramount importance in terms of rendering a broad range of benefit to the economic development of such countries (WB 2002). In developing economies like Ethiopia, where the public or formal sector proves to be incompetent to avail job opportunities to the ever increasing labor force, the MSEs are proven to be effective spheres of the means of survival particularly for the low-income, poor, and women's groups (Gebrehiwot and Wolday 2006). Considering the high living costs in major urban areas of Ethiopia, most urban residents resort to informal sources to acquire additional income (UN 2011). The informal sector, therefore, has been an important source of supplemental income not only for the unemployed and destitute but also for the urban wage earners who found their salaries depressed as a result of the fall in real incomes. This, however, does not mean that the larger enterprises are not important and MSEs can fully substitute the role of large enterprises in the economy. There are also skeptical views concerning the World Bank's pro-MSE policy.

The role of MSEs (IGA): evidences from developing countries

Poverty reduction has been a longstanding agenda for governments of developing economies. Earlier efforts to address poverty reduction focused on enhancing economic growth. However, in many instances, economic growth does not seem to effectively address the issues of the poor. For instance, in 1960 countries such as Korea, Malaysia and Thailand achieved rapid economic growth, but their average living standards were below the average living standards in major industrialized countries (Mohr *et al.* 2008:78). Poor people do not usually get access to the resources made available, such as credit or business advice.

Numerous governments and NGOs have attempted to foster economic growth through, targeted interventions involving micro and small scale enterprises development for the urban poor (Hurley 1990:28). Such interventions are sometimes called ‘policies for the informal sector’ or ‘small business development schemes’. Since these interventions are supposedly targeted at the poor, they are called poverty alleviation programs (Tambunan 2006).

Modernization theory also asserts that encouraging these growing economic activities will benefit the poor in ‘trickle down’ fashion by creating jobs. In many developing countries the government has departments that specifically target these enterprises. In Ethiopia Ministry of Trade and Industry (MoTI) and Micro and Small Scale Enterprise Agency have various schemes for enhancing private and cooperatives/group based enterprises.

Results and Discussion

Role of IGA for financial asset building (Monthly expenditure and savings)

The mean monthly total expenditure for the overall sample is estimated at Birr 1,420, the minimum and maximum being Birr 160 and Birr 5,930 respectively. Participants of IGA (MSE) allocate 54% of total expenditure for food, 7% for education, 10% for clothes, 12% for fuel and electricity, and 8% for social occasions (see Table 4.3.2). On the other hand, non-participants allocate 67% of total expenditure for food, 3% for education, 5% for cloth, 4% for medical service, 2% for water, and 3% for cleaning, 11% for fuel and electricity, and the rest 5% for social occasions. It shows that non-participant respondents spend larger share of their income for food than participants whereas participants spend higher share of their income for education and clothing as compared to that of non-participants.

Table 4.3.2 Total and percentage distribution of respondents’ total monthly expenditure

Expenditure Category	Participants		Non-participants		Average
	Total amount(Birr)	%	Total amount(Birr)	%	
Food	98,520	54	55,890	67	825.7
Education	11,951	7	2,885	3	285
Clothing	17,873	10	4,304	5	264
Medical	7,532	4	3,590	4	182
Water	4,371	2	1,793	2	36.9
Cleaning	6,294	3	2,150	3	55
Fuel & electricity	21,063	12	9,068	11	165.5
Social occasion	14,620	8	4,136	5	170.5
Total	181,784	100	83,811	100	1420

For the above expenditure pattern Engel’s law gives brief explanation of consumer spending pattern of different income levels. It states the percentage share of income families spend on food declines as their income level increases and the percentage that will be spend on education, recreation, luxuries and saving programs will increase (Varian 2005). From this, the lower expenditure share of food and higher expenditure share of education among IGA participants may be explained by the higher income among them as compared to the non-participants.

Propensity score estimation and matching (PSM)

In this section the first step of propensity score matching approach is to estimate households’ propensity scores from their basic characteristics (characteristics that are not affected by the choice of participation in IGA program). Propensity score matching involves matching each treated unit to the nearest control unit on the one-dimensional matrix of the propensity score vector. Matching on the linear predictor avoids compression of propensity scores near zero and one.

In this study, the propensity score of each household measures his/her chance to join the IGA program. The magnitude of a propensity score is between 0 and 1; the larger the score, the more likely the household would be to join the IGA program. After households’ propensity scores are estimated, the second step is to use the most commonly used matching methods such as the nearest neighbor, kernel, stratification and radius matching depending on the designation of a closeness criterion used to identify the impact of interventions. In this paper, four of the most common matching methods are used to identify the effect of participation in IGA on selected livelihood improvement indicators.

If all or part of comparison approaches indicates that IGA participant households have on average higher and positive outcomes (ATT) than non-participant households and the differences are statistically significant, one can conclude that IGA participation is one of the significant means to improve household livelihood. Put differently, conditional on IGA participation if households earn higher income and invest on assets, then it is possible outcome of interest to indicate participation impact.

If all approaches indicate that IGA participating households have in average higher outcomes relative to controls, and the difference is statistically significant under one approach but not under the other, a conclusion

that IGA programme participating improves household livelihood would still be sound but less robust (Becker and Ichino 2002).

Table 4.3.5 ATT estimation based on PSM

Propensity Score Matching	N=Treated	N=Control	ATT	t-value
<i>Total HH expenditure:</i>				
Kernel (atk)	102	85	536.587	3.339
Nearest Neighbor(atnw)	102	40	355.348	1.504
Stratified (atts)	89	98	751.628	3.877
Radius(attr)	102	85	536.587	3.339
<i>Equb monthly contribution</i>				
Kernel (atk)	102	85	1015.046	3.612
Nearest Neighbor(atnw)	102	85	1292.403	4.219
Stratified(atts)	89	98	1356.819	3.259
Radius(attr)	102	85	1292.403	4.219
<i>Food expenditure</i>				
Kernel (atk)	102	85	114.516	0.892
Nearest Neighbor(atnw)	102	40	-16.716	-0.105
Stratified (atts)	89	98	244.819	1.990
Radius(attr)	102	85	268.778	2.991
<i>Total personal saving</i>				
Kernel (atk)	102	85	5968.492	3.247
Nearest Neighbor(atnw)	102	40	5979.216	2.741
Stratified (atts)	89	98	6800.578	2.406
Radius(attr)	102	85	5970.506	2.770

Note: ATT-Average Treatment on Treated; t-value=>3.0, considered as statistically significant; N-Treated=households engaged in IGA; N-Control=households not engaged in IGA, but identical to participants except in participation; Participation in IGA is predicted with household head age and its square; household head sex; household head educational attainment; household marital status; family size and its square at 95%; 5% level of significant; Matching(Kernel, Nearest Neighbor, Stratifies and Radius) for outcome variables(Monthly

total household expenditure, Monthly household contribution for equb, Monthly household food expenditure; and Bank balance in current saving account) is conducted based on Propensity Score(PSM).

Here, the center of attention is to discuss results (ATT) from propensity score based matching for outcome indicators. In all comparisons, IGA participants have higher average *Total Household Expenditure, Household Monthly Contribution to Equb, Household Current Saving Account* than non-participant households and the difference is statistically significant in at least one of the four matching approaches (see Table 4.3.5).

The positive and statistically significant ATT values means that as compared to eligible non- participants, participants are more likely to have positive total expenditures, contribution to monthly Equb and saving on current bank accounts. This is not, however, the case for household monthly expenditure on food consumption. The finding of no significant effect of participation in IGA on household food expenditure may reflect the very low income elasticity of demand for food as a necessity good.

The role of IGA for Decision-making and self-esteem and overall improvement in living condition

Improvement in participation in household decision making has been reported by 91% of the sample IGA participants after they started to participate in IGA and 9% reported lack of improvement. 98% of female and 86.2% male respondents indicated that their participation in decision making has improved. FGD results also show that participation in decisions has improved concerning MSE businesses such as on loan spending, employment, and reinvestment of profit.

All of the female interviewees indicated that they started to participate in decisions making in their household especially on financial expenditure. They attribute such improvement in decision-making power in the household to their increased contribution to household income brought about by the participation in IGA.

Also, majority of the FGD and key informant participants mentioned, they have become confident to express their ideas and beliefs in public. This result has been confirmed by focused group discussions held with IGA participant respondents which point to improvement in self- esteem due to financial independence and job satisfaction. This is also partly due to experience shared in working as a group as well as in enterprise meetings which helped in building their confidence. All FGD participants mentioned that they are capable of running their own businesses as long as they have the financial capital. The above finding is also supported by the result of the key informant interview. A 29 years old key informant mentions:

'Before I started to participate in the group IGA, I had no source of income so I used to take money from my

family. I felt as if I was a burden to them, so I was not happy with myself. But since joining the IGA, I have started to give my parents some money each month. Contributing for the wellbeing of my family made me to realize that I can perform any activity and support myself. In addition, the attitude of my family members has changed towards me, which helped in boosting my self-esteem.

This indicates that the participation in IGA has brought psychological empowerment to the participants. Overall Participation in IGA is reported to have brought improvement in living condition for 86% of IGA the participants but not for the rest 14%. On the other hand, only 38% of non-participants reported improvement in living conditions due to membership in the MSEs whereas the remaining 62% reported otherwise. This is not surprising given that the non- participants are only on the training stage and have not yet started generating income. On the other end, it shows that the perceived improvement in living condition is more associated with participation in income generation and less with the trainings offered before starting the IGA. A female key informant interviewee explained the change in her living condition for the past four years as follows:

"I was a housewife and my husband had no permanent job so there were times when we could not even feed ourselves. Even when he had work, the money he used to earn was not enough to cover our monthly expenses so I used to borrow money from my neighbors. Some of them even stopped talking to me because I could not pay back the money I borrowed from them. But now, I am free of debts. The money that I get from working the IGA is more than enough to cover our household expenditure. We even have started saving money. My social relationship has also improved."

Conclusion

Based on the results of the analysis, the following major conclusions can be drawn. The main types of IGA cooperatives include construction, manufacturing (metal work, woodwork, and food preparation), service, and trade. Majority of female IGA participants seem to have been engaged in food preparation activities whereas majority of the male are engaged in construction activities.

These shows that female are mainly engaged in activities which perpetuate their traditional role as providers of the ultimate food. The qualitative studies indicate that female are concentrated in food preparation activities due to lack of skills in other activities.

Findings suggest that, on average, IGA program has positive effect on participants' total monthly expenditure. This indicates that IGA participants' financial capital has improved due to the intervention. On the other hand, no significant differences have been observed in food expenditure among IGA participants and non-participants. The average improvement in total expenditure without any significant change in food expenditure indicates that IGA participants were able to diversify their spending on other goods and services than food. Such increase in non-food expenditure, for e.g. on services like education and assets, is expected to bring a positive future return. Total saving and monthly Equb are also found to be higher among the IGA participants as compared to non-participants. Total personal saving and Equb contributions could serve as one coping mechanism to reduce vulnerability.

As what is saved currently will be either spend for future investment or as a buffer to income fluctuations. However, it is found that male participants tend to save significantly more than female participants. This may be an indication that females are more committed to household consumption expenditure e.g. food and clothing than males which is consistent with Boomgrand and Angelas' finding.

Findings further show considerable program participation among graduates of higher learning institutions. Moreover, their number seems to be increasing over time as shown by the higher participation rate (20%) among the current program beneficiaries at the training stage as compared to 9% among those who are already engaged in IGA. This shows that the income generating program is also engaging educated segment of the society which is important to reduce youth unemployment rate and promote entrepreneurial development which can be scaled-up.

As descriptive findings show, participation in IGA improves participation in decision making and self-esteem for participants'. This resulted from the financial capital improvement they registered due to participation in IGA. Overall, engagement in IGA, and particularly those run through MSEs, is found to have significant contribution to improve the living conditions of participants. However, the sector seems to be facing various constraints in realizing its objectives of reducing unemployment and improving the living condition of the participants. These include lack of coordination between the offices responsible for implementations at various levels e.g. Agency and Woreda levels, high interest rates, and inadequate access to infrastructure and services.

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