

The Role of Informal Sector in Alleviating Youth Unemployment in Hawassa City, Ethiopia

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Informal sector plays an important role in reducing urban unemployment, crime and violence, and serving as a breeding ground for new entrepreneurs. This study is aimed at assessing the role of informal sector in reducing youth unemployment. Data are gathered from a sample of 264 youth informal sector operators in Hawassa city. Ordinary logistic regression is used to determine the factors that can contribute to the livelihood improvement of the operators. Nearly, 90 percent of the operators have witnessed that their livelihood has improved after they joined the sectors. Operators who are more educated, natives to the city, more profitable, stayed longer in the activity, and have a culture of saving, have depicted better livelihood improvement vis-à-vis their counterparts. However, lack of working capital, working premises, adequate market and raw materials were reported as the major impediments for the operators. Given the immense contribution that the sector has, therefore, the government needs to consider the sector as one of the fundamental pillar to combat youth unemployment. Thus, operators should be encouraged to join the formal sector by lessening the bureaucracy to get license, minimizing entry cost such as lowering registration or licensing cost, and providing tax-holidays for sometimes.

Key words: Livelihood, ordinal logistic regression, operator.