

Urban Informal employment: Challenges and Opportunities in Case of Central Region of Ethiopia

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Abstract: In Ethiopia, the predominance of informal employment is evident, with over 85% of the labor force involved, including a substantial percentage of informal wage earners. In informal employment, there are exploitative relationship between employers and employees. The purpose of this was to investigate the opportunities and challenges experienced by employees in informal employment in central region of Ethiopia. For the s cross-sectional survey, a sample employee was selected employing a combination of purposive and convenience sampling techniques. The study's data was analysed using descriptive statistics analysis and five-point Likert scale methods. The analysis reveals that a majority of informal employees are migrants from the rural area due to search of job, youth, single, and have low level of education. The study found that informal employees faced major challenges comprising low salary paid, high level of job insecurity, poor working condition absence of overtime and eaves pay, discrimination, lack of Social security contribution, and difficulty in joining labour unions. The major opportunities of employees are escape from unemployment, development of Entrepreneurial skill, job flexibility, and contribution for local economy. The results emphasize the necessity of policy interventions to enhance working conditions and mitigate the socioeconomic challenges faced by employees in urban settings

Key Words: Urban Informal employment, Challenges, Opportunities, Central Ethiopia

1. Background and Justifications

Informal employment 'is a type of employment that's not bound by existing labor legislation and social security or formal contractual arrangements, do not have employment or work security and no legal or social protection arising from the job (FES, 2023; ILO, 2013, 2018, 2022). It comprises the informally employed in formal sector, , the informal sector employees (wage labor), self-employed (own-account workers), paid domestic workers, , unpaid workers and daily labourer,(ILO, 2023; Pardo, 2023; Ulysea, 2020).Globally, 58% (about 2 billion) of individuals aged 15 and older participate in informal employment, comprising 65% self-employed and 35% paid (salaried) employees as a result of absence of job opportunities in the formal sector (ILO, 2023b). Correspondingly, informal employment provides job about 85% of total labour force and 72%of non-agriculture workers in Africa(ILO, 2023b..

Similarly, informal employment is mainly employment of the last resort in Ethiopia. The proportion of non-agricultural informal employment remain high and estimated to be 34% of the country's GDP, is expected to employ 85.2% of all workers (DTDA, 2025; WB Group, 2023).The urban labor market has not yet developed a dynamic catalyst for formal sector job creation, mainly due to segmentation of the labor mark. As such, the urban labor market in the country is divided into three segments: the relatively privileged public sector; the private formal sector; and the large informal sector, which is primarily chosen as 'survival' strategy than entrepreneurial for millions of the urban poor(FES, 2023; ILO, 2013, 2018).. In Ethiopia, around 37% of women and 18% of men are engaged in urban informal employment for pay (salary) (CSA, 2021)

The informal sector continues to plays an important role in an economy, especially in the developing countries(IMF, 2017; Kebede, 2023; Lorato et al., 2023). This sector is well suited to developing countries' factor endowment that have relatively abundant labour and limited capital, because it increases the need for unskilled and semi-skilled laborers, who are more prevalent in developing nations, creating new jobs and income for households. (Bolarinwa & Munacinga, 2023; Desta, 2020; Etim & Daramola, 2020; ILO, 2018; Lorato et al., 2023). However, informally employed workers and enterprises face several challenges than their counterpart formal employment. For example, lack of social security, factors – exploitative relationships between employees and employer with in and inter firm, limited human and working capital, absence of job security and legal protection, poor location and working condition, low productivity and low-quality products, and lack of effective implementation of labour laws and regulations (Ghose, 2017; Hoseini, 2020; Ramsuraj, 2020; Tokman, 1978).

Although the labor legislation of Ethiopia (the proclamation no. 1156/2019) recognizes the necessity of workers; security and providing additional employee benefits (like the right to receive written contract agreement, right to work under safe and healthy

conditions; the right to receive equal pay for equal work without discrimination of any kind, the right to form or join a labor union, the right to get paid annual, maternity and public holidays leaves, retirement pension etc.), workers operating in the informal sector or informally employed in formal sector barely enjoying those benefits (FDRE, 2019). In Ethiopia, only 16.2 per cent of wage/salary workers have received a written contract agreement from their employer, and 61.1 per cent of employees labour contract is "oral agreement" (FES, 2023; ILO, 2019)

In Ethiopia, scant research on informal employment has primarily concentrated on the informality of self-employed enterprises (own-account enterprises) and waged informal employment within the informal sector alone (Jenberu & Kasse, 2021; Desta, 2020; Dube et al., 2021; Lorato et al., 2023; Personal & Archive, 2020; Tsegay, 2022; Vendors, 2015) with few studies focusing on informally employed wage or salary workers in both informal and formal sectors. These studies, moreover, were narrowly focused, relied on the impact of informality on workers' livelihoods, and ignored the challenges to work in the informal employment. Additionally, there is evidence that the extent, nature, challenges, and driving forces of informal employment differs across countries, within different regions of the same country, even among cities in a region, and within different areas of the same city. (Goedele Van Den Broeck et al., 2023; UNDP, 2020). In Ethiopia, especially in the central region, little is known about this kind of employment, even though it makes up a substantial portion of all employment and is a main source of income for many work force (CSA, 2020). The current study intends to address these gaps by focusing on identifying opportunities and challenges faced by the participants in informal employment.

2. Literature review

2.1. Concept and theory of informal employment

There are many definitions of the informal economy, and it is also known by many names, such as "underground economy," "shadow economy," "hidden economy," "black market," "unreported economy," and "unregulated economy" (C. C. Williams et al., 2016). According to Hart, (1973) The term "informal economy" was initially introduced in economic literature in 1973, as per a study by Hart, to characterize tiny, unregistered economic activities. Hart's, (1973) study says that the term "informal economy" was first used in economic literature in 1973 to explain small, unregistered economic activities. He adopted a dualist approach of the income prospects for urban workers that differentiates between self-employment and wage-earning for formal and informal income opportunities. He also stated the idea that self-employment is mostly linked with the informal economy. Since then, its concept and roles have undergone modifications (Chen, 2006; ILO, 2023). The informal economy usually includes activities that make money (such self-employment or waged employment) that aren't controlled by law. (ILO, 2023; Shehu & Nilsson, 2014). The characteristics, composition, and roles of the informal sector have historically been contentious, leading to four main

perspectives on informality. According to the dualist concept, the labor market in developing nations is divided into formal and informal employment, with the two sectors being separate and unorganized. (Fields, 1975; G. V. Lewis, 1974; Shapiro & Stiglitz, 1984). The dualists asserted that informal employment functions as a crucial safety net (survival wage rate) for the impoverished who cannot secure formal employment that enhances welfare economics. (Hart, 1973; Tokman, 1978). This method asserts that in order to maximize their values and avoid limitations, economic agents preferentially seek to work informally (Allingham, 1972)

Labor market segmentation is the idea that workers with equivalent education, abilities, productivity, or positions get paid differently because the labor market is split into two parts (Pignatti, 2010; Piore, 1970). There are clear rules and processes that control the hiring of workers in the primary labor market. Most of these rules are about formal employment (Zuo, 2013). This theory asserts that institutional obstacles restrict employment prospects for qualified individuals in the primary (formal) sector, leading to the development of a parallel labor market, wage disparities, industrial structures, and working conditions.

Structuralist schools regarded the informal sector as a fundamental component of the economy, interconnected with its counter-formal economy (employment) and emerging from the capitalist or cost-minimization growth strategy of enterprises. This may lead small enterprises to cut labor expenditures (including taxes, registration fees, and other costs required by labor laws) in order to maximize their own profits, which may drive workers out of formal employment (M. A. Chen, 2004; Moser, 1978). For this school, legal businesses with high productivity and pay are mixed with informal businesses with poor productivity and compensation. Formal businesses use the informal sector to their benefit, and the increase of informality is a result of the nature of capitalist growth and a lack of social protection and work laws (poor mechanism to workers' rights) (M. A. Chen, 2004; Moser, 1978). V

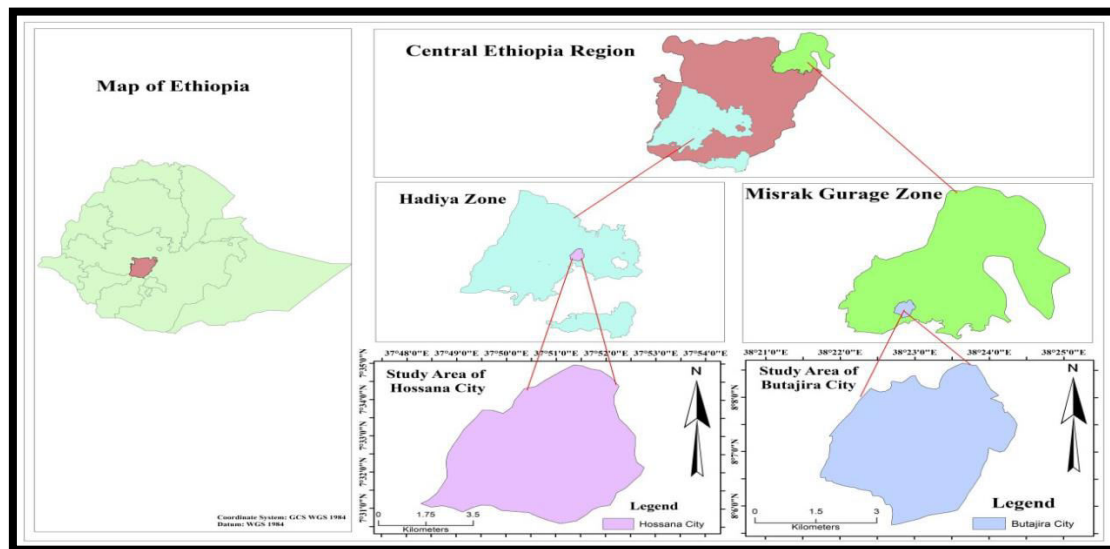
3. Materials and Methodology.

3.1 The study area

The study was conducted in Hossa City, the capital of Ethiopia's central regional state, and Butajira city. Hossa City is one of Ethiopia's fastest-growing cities since it has a lot of economic activity and a relatively large population. The city's rapid urbanization, population growth, and substantial rural-to-urban migration—around 47.1% of its population has moved to the city for work—are important. This has led to more informal jobs in the city, as well as problems with unemployment and the growth of the informal sector (CSA, 2020; Mamo et al., 2021). As the capital of the central regional state and Hadiya zone, Hosanna city is the site of marketplaces and business ventures. In addition, Butajira city/town, which is in the Misrak Gurage zone, is one of the fastest-growing towns in central Ethiopia. It has a lot of enterprises and small-scale industries. In central and southern Ethiopia, service industries including transportation,

healthcare, and education also make major contributions to the city, town, and their surrounding areas. Geographically, the Hosanna city is situated at 7°33'N 37°51'E, 230 kilometres south of the nation's capital Addis Ababa, has an elevation of 2340 to 2435 meters above sea level, indicating a highland climate, and Butajira town lies at 8°7'N Latitude and 38°22'E Longitudes with an elevation of 2,100 meters above sea level and 130 kilometres south of the nation's capital Addis Ababa (CSA, 2020)

Fig 1. Location of the study area



3.2. Research Design

This study a descriptive cross-sectional survey design that employed a mixed research approach, and thus, the combination of both qualitative and quantitative approaches to obtain and analyse more detail data on the research problem. Creswell (2022), Mwamba & Peng (2020) and Twycross (2004) assert that mixed research design is very important for gathering data from multiple sources utilizing a variety of data acquisition techniques. Additionally, it permits the use of numerous methods for data analysis and interpretation. Similar sources emphasized that this type of design helps to appropriately address research difficulties and counteracts the drawbacks of employing a single research approach. Informally employed workers' characteristics, challenges they face, opportunity, the correlations between independent and dependent variables, and demographic and socioeconomic factors were all examined using descriptive study techniques.

3.3. Population and Sampling

The target population of the study comprises informally employed workers (employees) in both the informal and informal sectors. Hossana city and Butajira town administrations have no documented data on entire number of informal enterprises and employees, and associated problems. However, the researchers conducted a preliminary study using pilot survey, observation, and reviewing important documents (reports)

from concerned bureaus in order to in each sub-city. The researchers' preliminary study showed that the distribution of informal employment was disproportional across the sub-cities of the city. Purposive and convenience sampling techniques was employed to selected sample participants because of the total number of informal workers in the city is unknown (Saunders & Thornhill, 2019). First, three kebeles from each city were initially purposefully chosen due to relatively large number of informal workers, and the existence of high number of informal and formal enterprises based on pilot survey. Secondly, 205 respondents were selected by using convenience sampling method from the selected kebeles Table 1. The convenience sampling technique enabled the researchers to include a wide range of employees who were reachable, knowledgeable about the topic, and willing to take part as respondents (Jenberu & Kasse, 2021). Afterward, sample size was determined using Cochran (1977) statistical formula, which is advised for large or vaguely defined target groups. Thus, the formula is outlined below, with a 95% confidence level and a 5% margin of error; $P = 0.25$ (CSA, 2021)

$$n = \left(\frac{Z^2}{e^2} \right) pq = \left(\frac{Z}{e} \right)^2 p(1 - p) = \left(\frac{1.96}{0.06} \right)^2 0.25(1 - 0.25) = 205$$

Table 1: Distribution of sample employees by kebele

| | Employment | |
|--------------|-------------|---------|
| Kebele | Sample size | Percent |
| Arada | 57 | 28 |
| , Heto, | 37 | 18 |
| Naremo | 49 | 24 |
| Butajiratown | 62 | 30 |
| Total | 205 | 100 |

3.4. Data collection methods

The data for this study were obtained from both primary and secondary sources. The primary data was collected through survey questionnaire, focus group discussion, field observation and key informant interview, and. closed and open-ended questions were designed to include demographic and socio-economic aspects of workers, and challenge affects employees that were derived from literature and common characteristics. The study participants were given the final version of the questionnaire after it had been improved in response to pre-test comments. . In addition, qualitative insights into the perceptions of informality and challenges of workers were gathered by using semi-structured interview of selected employees (held by the researchers), focus group discussion (selected employees). The primary data was supplemented by secondary data collected from unpublished and published documents.

2.5. Data Analysis Methodology

The collected data was analysed quantitatively (using descriptive statistics like, frequencies, percentages, tabulation, means, and standard deviations) and qualitatively through case summary and description to present an overview of the data. A five-point Likert scale was employed to gauge how much people agreed about the challenges experienced by employees. Six randomly chosen people took part in a pre-test to ensure the questionnaire's dependability and intelligibility.

3. Results and Discussions

3.1. Summary of findings employing descriptive statistics

Table 2 shows the demographic and socio-economic characteristics of workers in informal jobs. The finding shows that 53% of the informal employees surveyed are women, consistent with ILO research (Bonnet et al., 2019; ILO, 2018, 2019), which says that women in developing countries are more likely to work informally in cities than men. Table 2 also shows that those who employed informally typically exhibit a lower educational qualification, with around 47.30%, 23.41%, and 29.29% of employees possess secondary education or below, technical and vocational diplomas (TVT), and university degrees, respectively. This indicates a considerable low level of educational accomplishment (human capital) for informally employed workers, illustrating that job informality linked with lower level of educational, consistent with (Lemma & Sharma, 2025) who found workers in informal business possess lower level of education. In terms of the marital status, over 66.94% of employees engaged in informal employment are single and 25.58% are married, consistent with the finding that most informal employees are of a younger age.

About migration, 69.26% of informally employed workers are migrants from rural regions, while 30.74% are residents of study area. This implies that rural-urban migrants posse are more likelihood to be informal workers than urban local workers, consistent with prior findings (Tsegay & Gezahegne, 2023; UNDP, 2022) who found that the limited formal employment opportunities in the urban areas of Ethiopia pushes migrant workers in to informal employment, and informal employment functions as a safety net for migrants. Over 48.78% of informal workers live in rented houses, 43.90% live with their parents, and only 7.3% own their homes. Almost all informal workers participate in any union. Unions substantially enhance workers' bargaining power with employers to rise both pay and non-wage benefits (Cho & Cho, 2014).

Table 2: Descriptive statistics for categorical variables

| Variable | Measure | Frequency | Percent |
|----------------|---------|-----------|---------|
| Sex | Male | 97 | 47.53 |
| | Female | 108 | 52.68 |
| Marital status | Single | 136 | 66.94 |
| | Married | 53 | 25.58 |

| | | | |
|--------------------|------------------|-----|-------|
| | Others | 16 | 8.08 |
| Education level | Primary school | 33 | 16.09 |
| | Secondary school | 64 | 31.21 |
| | College/TVT | 48 | 23.41 |
| | University | 60 | 29.29 |
| Migration Status | Migrant | 142 | 69.26 |
| | Non-migrant | 63 | 30.74 |
| Living arrangement | Own home | 15 | 7.32 |
| | Rented | 156 | 48.78 |
| | With parent | 40 | 43.90 |
| Tax paid | Yes | 44 | 21.46 |
| | No | 161 | 78.54 |
| Written contract | Yes | 168 | 81.96 |
| | No | 37 | 18.04 |
| Employed in | Formal sector | 84 | 40.97 |
| | Informal sector | 121 | 59.03 |

Source: Own field survey, 2025

Table 2 further indicates that among the 78.54 surveyed informal employees, 40.97% are employed in formal firms, while the remaining 59.03% are in informal enterprises, suggesting that substantial number of workers in formal firms are employed informally. The result also indicates nearly 21.46 % of informal employees (only from employees in formal sector/firm) are reported for tax authority, but didn't reported for pension (social security) collecting agency. Regarding Written contract, only 81.96% of informal employees (in formal sector) are able to get written contract agreement from their employer, but they lack social security contribution or tax pay for government.

Table 3 : Variable description and workforce by sector, type/form of enterprise and ownership

| Variable | Measure | Frequency | Percent |
|--------------------|-----------------|-----------|---------|
| Sector | Manufacture | 62 | 30.24 |
| | Service | 83 | 40.48 |
| | Constriction | 20 | 9.75 |
| | Trade | 19 | 9.26 |
| | Agriculture | 21 | 10.27 |
| Business Ownership | Private(single) | 142 | 69.26 |
| | Family | 46 | 22.43 |
| | Partnership | 17 | 8.31 |

Source: Own field survey, 2025

On the other hand, Table 4 presents that the average age of the informal employees is nearly 27 years. Individuals involved in informal employment are roughly six years younger than those in regular employment, with an average age of 26.5 years. This is consistent with the finding that in Ethiopia, informal employment serves as the primary source of livelihood for the rapidly expanding urban youth labour force, given the inadequate formal job opportunities (CSA, 2022; UN Hábitat, 2022; UNDP, 2022). The mean weekly working hours for informal employees is 50 hours. This suggests that informal employees work around 10 hours longer than 40 hours of weekly working with a given salary hour set in the labour proclamation of the country. The result indicates that informal workers engaged in extensive overtime yet received lower compensation.

Table 4: Descriptive statistics for continuous variable

| Variables | Mean | SD | Min | Max |
|-----------------|---------|---------|------|------|
| Age | 26.96 | 7.23 | 16 | 49 |
| Age dependent | 2.46 | 1.41 | 0 | 5 |
| Working hour | 50.03 | 5.55 | 39 | 60 |
| Salary | 3780.92 | 1528.90 | 1500 | 7500 |
| Work experience | 4.40 | 2.25 | 1 | 10 |

Source: Own field survey, 2025

The average monthly salary of employees is 3780.92 birrs. Moreover, the average work experience of workers is roughly 4.40 years. Furthermore, Table 4 shows that the service (health, education, transport, hotels and microfinance institutions) and manufacturing sectors are the major employers of informal employees, about 40.48% and 30.24% of the workers, respectively. In contrast, urban agriculture, construction and trade account for 10.27%, 9.75%, and 9.26% of informal employees, respectively. The majority of informal workers (69.26%) are engaged in enterprises owned by lone proprietors, while family-owned partner-based enterprises make up 22.43%, and 8.33% of such employment respectively.

3.2. Summary of results about opportunities and challenges

This part talks about the good and bad things that happen to workers who are not formally employed. Table 5 shows the major problems that informal workers have with different parts of their jobs on a five-point Likert scale. The scale is an interval scale, which means that the mean values have different meanings: severely (seriously) disagree (1 to 1.8), disagree (1.81 to 2.60), neutral (2.61 to 3.40), agree (3.41 to 4.20), and greatly agree (4.21 to 5). The mean and standard deviation (SD) values show how much people agree on average and how much their answers differ from each other. A higher mean score means that most people agree that workers who are informally employed face a lot of problems. A greater standard deviation, on the other hand, means that there are a lot of different opinions among respondents.

3.2.1. Challenges Faced by employees

Low wage paid

The survey showed that those who work informally significantly agree that they are paid too little for their work (mean of 4.21 with standard deviation of 0.92). In line with this, research (Conover et al., 2022; Duval-Hernandez, 2021; Gomes et al., 2020; Gong & Van Soest, 2002; Na & Hipertensiva, n.d.; Pratap & Quintin, 2006; C. Williams & Gashi, 2022) has indicated that workers possessing similar levels of education, skills, productivity, or occupations receive disparate wages or earnings due to the dual (formal-informal) structure of the labor market, suggesting that informal employment correlates with lower wage rates compared to formal employment. This is due to the fact that informal workers are not protected by social security programs or minimum wage laws. They often earn much less than the national minimum wage and generally earn less than their formal employees (Bonnet et al., 2019; Pardo, 2023; Ulyssea, 2020b). They also agree that their boss sometimes decreases their pay by pointing out little faults, coming to work late, or missing work because of social concerns, etc. (mean = 4.12, SD = 0.62). In comparison to formal employment.

High level of job insecurity and lack of legal protection

The survey found that informal workers strongly agree that their jobs are less secure, with a mean score of 4.40 and a standard deviation of 0.67. This means that informal workers can lose their jobs (wrongfully fired) without warning and without a good reason, or they can be demoted and have their salary cut. Because most informal workers don't have written contracts (they have "oral agreements"), they aren't known or registered, and they aren't recognized, they can't take legal action that would protect them from being fired or make sure they get paid for being fired. This is in line with what (Bonnet et al., 2019; Pardo, 2023; Ulyssea, 2020b) found: that informal workers are limited by government protection (law framework) to protect their property rights.

Poor working condition and occupational safety

The survey found that the workers also thought they were working without enough safety (mean = 3.42, SD = 1.00). This shows that people who are not technically employed have worse working conditions than those who are, and they also know much less about health and safety at work. Because of this, a lot of people get sick or die because of unsafe, dirty conditions, dangerous machines, fires, toxic chemicals, high-rise construction sites, coal dust, and so on. In addition to this, informal employment often leads to health concerns at work, such as issues with the digestive system, high blood pressure, hearing loss, and vision loss. Studies show that people can only safeguard their property rights if the government (legal framework) protects them (FGET, 2022; ILO, 2018; Ulyssea, 2020b). Informal operators and employees are not subject to labor laws and other regulations in the urban economy, which means they are mostly not entitled to work in safe, healthy, and satisfying conditions.

Absence of overtime pay, paid holiday, sick and maternity leaves

The study showed that people who work informally strongly agree that they typically work long hours (additional workload) without extra (overtime) remuneration (mean = 3.53, SD = 0.95). The average score for paid holidays, sick leave, or maternity leave is neutral (mean = 4.47, SD = 0.54). This finding about paid leaves shows that some people agree with it and some don't. The interview and focus group discussion show that most sick and vacation days were reimbursed, but most maternity breaks were not. They also agree that they work long hours every day without enough breaks (mean = 4.47, SD = 0.54). Ethiopia's labor laws (proclamation no. 1156/2019) say that workers have the right to take annual, maternity, sick, overtime, and public holidays, as well as a retirement pension. The proclamation says that the standard work week is 48 hours and the standard work day is 8 hours. Workers get 16 days of paid vacation each year, plus one day for every two years of service. They also get 120 days of maternity leave, public holidays, and sick leave (FDRE, 2019; FES, 2023; ILO, 2019)

Discrimination and violation of human rights

The study's findings indicate that respondents concur that is inequitable treatment within the firm regarding compensation, working hours, promotions, leave permissions, and other advantages based on gender and ethnicity (mean = 3.49, SD = 1.03). In accordance with this study, Tesfaw & Mehare (2023) identified a gender wage difference in both official and informal work, with women's earnings average merely 66.2% of men's, leading to a compensation disparity of 32.8%. Another research by Chant and Pedwell (2019) discovered disparities in gender wages, especially in the informal economy. The survey results indicate that a portion of informal employees reported experiencing physical or verbal abuse and violations of human rights by their employer or colleagues; nonetheless, there is a divergence of opinion among them about this matter (mean = 3.47, SD = 0.54). But proclamation no. 1156/2019 protects the right to get equal compensation for equal effort without any type of discrimination.

Lack of Social security contribution

According to the ILO, and Ethiopian labor regulations and legislation, workers are considered informal in this study if they do not have social security coverage or if they work without a written contract that has been submitted to the appropriate authorities (FDRE, 2019; FES, 2023; ILO, 2019). Therefore, none of the survey participants were covered by the social security program (mean = 4.84, SD = 0.36). Pension Proclamation No. 908/2015, however, strengthens the payment of pensions (social security) by employers and employees in Ethiopian private firms. It indicates that total monthly contribution of each employee is 18 percent of their monthly wage, with the company providing 11% and the employee contributing 7%. The employer must pay the pension contribution to the pension collecting agency every month since they take money out of the employee's pay check (Gazette, 2015).

Difficulty in joining labour unions and little/no bargaining power

The poll results show that most workers who are not formally employed don't know about labor unions, their benefits, and the rules that govern them. The survey showed that the people who answered strongly agreed that they are not members of any labor association (mean = 4.89, SD = 0.30). Being a member of a democratic labor union offers workers a voice and makes it easier for them to work together in different ways, like through advocacy, negotiation, and bargaining. Employers and employees engage in collective bargaining to reach a collective agreement, which usually has to do with wages and working conditions. The Labour Proclamation also provides that every worker can join or start a trade union or other group that lets them negotiate with their employer (FDRE, 2019)

Table 5: Descriptive statistics of challenges faced by employees

| Statements | Mean | Std. Dv. |
|--------------------------------------------------------------------|------|----------|
| Low wage paid | 4.21 | 0.92 |
| High level of job insecurity and lack of legal protection | 4.40 | 0.67 |
| Poor working condition and occupational safety | 3.42 | 1.00 |
| Absence of overtime pay, paid holiday, sick and maternity leaves | 3.53 | 0.95 |
| Discrimination and violation of human rights | 3.49 | 1.03 |
| Lack of Social security contribution | 5 | 0.00 |
| Difficulty in joining labour unions and little/no bargaining power | 4.89 | 0.30 |

Source: Own field survey, 2025

3.2.2. Opportunities

Despite the fact that informal employment is linked to low wages, low productivity, low skill, lack of social security, poor working conditions, and other issues, it is a chief source of income for many urban poor in developing countries. It provides food, creates wealth, supports families, fosters innovation, and creates entrepreneurs, especially for women, migrants, and the poor. Thus, this study looked into the following opportunities that informal workers were hopeful about working for such enterprises

Employment creation

Without a doubt, the urban poor, especially in emerging nations, rely on informal employment as a source of employment. Nearly all respondents to the study stated that they had been unemployed prior to taking this employment, and they view it as a "safety net" (survival strategy) because they were unable to get a formal job. ..The participants of group discussion viewed the income they make from informal work as opportunities to combat poverty and hunger in their own households. Accordingly, IMF (2017), Kebede (2023) and Lorato et al. (2023) show that Ethiopia is a developing nation with very limited potential for formal employment in its cities; as a survival strategy,

informal employment provides a significant source of employment and income for the urban poor. It absorbs the excess supply of expanding youth labor, particularly unskilled and semi-skilled labor force, which is plentiful in developing countries, it plays a crucial role in lowering urban unemployment. It also helps to reduce poverty because it is a major source of income for many urban poor in developing nations

Development of Entrepreneurs

According to the preliminary study and group discussion, the majority of business owners had previously worked as employees of other businesses. This suggests that after gaining experience as employees, some informal workers would launch their own enterprise and hire workers. Most of the informal workers are employed by small-scale enterprises that use local technologies. As a result, workers can improve their skills and creativity, share their experiences, and develop endogenous technology.(Blekking et al., 2020; Bolarinwa & Munacinga, 2023; Desta, 2020; Etim & Daramola, 2020; ILO, 2018; Lorato et al., 2023; Mahadea & Zogli, 2022)

Contribute for local economy

Because it absorbs the excess supply of expanding youth labor, particularly the unskilled and semi-skilled labor force that is abundant in the nation (scarce capital), informal work plays a crucial role in lowering urban unemployment. Additionally, because it provides many urban poor with their primary source of income and wealth, family support, entrepreneurship, and creativity, it helps to reduce poverty and inequality(Pham, 2022; Ulyssea, 2020a; Wong, 2023).

Flexibility

Compared to formal jobs, informal jobs have more flexible criteria and procedures (less strict rules and processes). Workers can often set their own hours and combine work with caring or study, indicating that workers can easily find the job. In line to this, studies (Conover et al., 2022; ILO, 2023; Pardo, 2023; Ulyssea, 2020) indicate that women with high household responsibilities like childbirth do prefer more flexible informal employment than formal employment

Conclusion


Informal employment is a major source of jobs and income for workers in Ethiopia, a developing country. However, informal employment, there are exploitative relationship between employees and employers. This study investigated the major opportunities and challenges experienced by employees in informal employment in central region of Ethiopia. The study employed a cross-sectional survey, and a sample employee was selected using a combination of purposive and convenience. sampling techniques. The study's data was analysed using descriptive statistics analysis and five-point Likert scale methods. The study results indicate that the majority of these workers are youth migrants from rural areas with low level of education. Informal employment plays an important role for the workers involved in it by providing job opportunity, raising the

standard of living (generate income), improving their experience and entrepreneur skill. However, they were informally employed in formal and informal sectors without a written contract and do not have social security coverage against the labour proclamation no. 1156/2019) that states monthly contribution 18% of each employee's monthly salary. They often work long hours (above standard) with low salary (without overtime payment), they are exposed for unfair dismissed from their work) due to immaterial reason without prior notification and ensure compensation. Moreover, they employees are largely excluded from right to work under satisfactory, safe and healthy working conditions, and to join labor union. The results emphasize the necessity of policy interventions to enhance working conditions and mitigate the socioeconomic challenges faced by employees in urban settings

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