

The Relationship Between Urbanization and Household Income: Lesson From Amhara Region Metropolitan Cities

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ABSTRACT

As urbanization has occurred without the attendant growth and development spillovers in underdeveloped nations including Ethiopia, the phenomenon brought undesirable social and economic consequences. This article investigates the relationship between urbanization and urban household income and housing problem. Structural equation modeling was used to run mediation analysis. Correlation and regression analyses were also carried out to measure the direction and magnitude of the effect of the independent variable on the dependent. Regression analysis results indicate the existence of a significant direct effect of urbanization on limitations in income generating capacity of citizens. This article recommends taking policy measures to include development agendas of small and medium towns into regional plans as they absorb the influx to large cities and can help migrants experience the challenging complex urban life step by step. In addition, a policy intervention in the area of land tenure system and real estate development is required before the housing problems gets worsened.

KEYWORDS

Amhara Region, Households, Income, Metropolitan City, Urbanization

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1. INTRODUCTION

Urbanization is the process by which large numbers of people become permanently concentrated in relatively small areas, forming cities.

There are three components of urban population growth: natural growth of urban population, rural-urban migration and the reclassification of areas previously defined as rural. Natural increase provides a base for urban population growth rates, and rural-urban migration and reclassification supplement this growth.

People may move to the city because they are pushed by poverty from rural communities or they may be pulled by the attractions of city lives. Combination of these push and pull factors can also be one reason for moving to cities. In many parts of the world rural population growth and shortage of arable land are the major problems. Even though the land holdings have been quite big they are to be divided with several children and eventually, their children. These circumstances make migration the only opportunity to farming people. Things are made worse by environmental deterioration (Gugler 1997).

Research findings clearly indicate people with low and unstable incomes that live in settlements with inadequate infrastructure are the byproducts of unmanaged urbanization. This is true in many low and middle income countries. Informal sector activities and casual labour are the major source of employment opportunities for the urban poor. This type of employment can only provide low and irregular earnings. “In low-income nations, informal employment accounts for half to three-quarters of all non-agricultural employment. The global economic crisis that started in 2008 has had a devastating impact on informal sector workers, leading to rising costs for food, fuel and transport and increased competition from workers laid off from formal sector jobs. Food insecurity is the most severe impact of the crisis” (Tacoli C., 2013).

From the labour market it is possible to see that the youth are suffering a lot than the adult people from unemployment and which is long-term unemployment. Young people are not given the appropriate market-oriented skills, opportunities and information that are necessary to join the labour market. This in turn has an impact on their income generating capacity. The long-term unemployed often face a number of pronounced barriers to finding work. For a start, the period they have spent out of work can itself create problems because of issues with confidence as well as negative signaling to employers. The more time a person spends away from the workforce, the more reluctant employers become to hire that person. The rationale behind their decision posits that skills can deteriorate once a person is out of work for a prolonged period. Employers may also assume negative attitudes towards people with a significant gap in their résumé, often believing them to be less productive than other applicants.

The purpose of this particular study was to investigate the effect of urbanization on income generating capacity of citizens in the Ethiopian context.

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