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A LADDER OUT OF POVERTY OR A CUL-DE-SAC? Repositioning the Informal Economy for Employment Creation and Entrepreneurial Development in Nigeria

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**10th INAUGURAL
LECTURE SERIES**
Vol. 6, No. 4, October, 2017



Covenant University
10th Inaugural Lecture



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Covenant University Press,
Km. 10 Idiroko Road, Canaan Land, P.M.B 1023, Ota, Ogun State, Nigeria

ISSN: 2006-0327
Inaugural Lecture Series. Vol. 6, No. 4, October, 2017



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1. INTRODUCTION

'Jobs are key to all development processes'.

Moubarack Lo (2013)

Whether at the micro or macro level, jobs are key to the development of a nation and the maintenance/promotion of quality living standard of individuals. In many nations and cultures around the world, persons are described or even called by the type of work they are engaged in. The Hausas will call a butcher **mainama**, the seller of tea: **Maitti**. In local communities among the Yorubas, a teacher has no other name than: 'Tisa', a woman dealing in clothing materials is called '**iya alaso**' while a driver is '**baba onimoto**' and so on. A person engaged in a particular job is usually described, called or addressed in relation to the work he does. A family or community specialising in a particular occupation are called collectively by the name of what they do. No family or person would want to be described as jobless (alainise) or indolent, and when that happens, it is more of a condemnation, or better still, a stigma rather than a commendation.

This phenomenon is not peculiar to Nigeria or Africa, it is a worldwide practice as reported by The World Bank (2013).

...jobs serve not only as common nouns but also as proper nouns. Throughout history, family names have been associated with specific skills or trades ... The use of job-related words as household identifiers shows that people associated themselves with what they did. Nowadays, people aspire to choose their jobs based on what motivates them and on what could

make their lives more meaningful. In almost every language there are also several words to express the lack of a job. Almost invariably these words have a negative connotation, close in spirit to deprivation; at times they even carry an element of stigma. In all these ways, language conveys the idea that jobs are more than what people earn, or what they do at work: they are also part of who they are...

In spite of the centrality of jobs both for individuals and nations of the world, there is evidently a contraction of jobs due to the scourge of global economic recession, wars, natural disasters, economic mismanagement, among a host of other factors. In recent times, jobs have contracted globally leading to a high level of unemployment. This has made the number of people in unemployment rise from 196.4 million in 2014 to 197.1 million in 2015, showing an increase of about one million people moving into unemployment in a year. This translates to an increase in the global rate of unemployment from 5.7 percent in 2015 to 5.8 percent in 2016 (ILO, 2016). The projection for 2017 and 2018 shows that World unemployment figures would rise to 201 million and 204 million respectively with an unemployment rate of over 5.8 percent each for both years.

Accompanying the worsening unemployment are two important challenges as highlighted by the ILO group. They are (1) the high and rising trend of youth unemployment; and, (2) the increasing number of vulnerable forms of employment. The vulnerable or precarious jobs are mostly those that are located in the informal economy which provides employment outside the

formal sector for the following groups of people:

- (a) own-account worker and employers employed in their own informal enterprises;
- (b) members of informal producers' cooperatives (not established as legal entities);
- (c) own-account workers producing goods exclusively for own final use by their household (if considered employed given that the production comprises an important contribution to the total household consumption and is included in the national definition of employment);
- (d) contributing family workers in formal or informal enterprises; and
- (e) employees holding informal jobs in formal enterprises, informal enterprises, or as paid domestic workers employed by households. (ILO, 2012, Williams 2017).

Many scholars have argued that jobs in the informal economy are marginal, comprises a wide range of vulnerabilities, and highly dependent on the formal sector of the economy (Mannila, 2015, Tokman). This argument has been advanced for all informal sector jobs. We will argue in the course of this lecture that jobs in the informal economy are not homogeneous, they are rather heterogeneous and highly structured, ranging from unpaid family work to skilled and high profile entrepreneurial activities. Though the sector serves as an employer of last resort for some groups of workers, the sector is also awash with opportunities for dynamism and entrepreneurial development. Such opportunities are available in informal sector jobs that are high in skills content requiring several years of training as well as continuous on-the-job trainings and

capacity development. Extant literature have found such informal engagements to be dynamic, well-paying and leading to income and social mobility in the informal economy whether in the emerging, developing or developed nations of the world.

Two important issues come to the fore with respect to youth unemployment both globally and across the regions of the world. The first issue has to do with the fact that a high proportion of the unemployed are made up of youths. For instance, while the total world unemployment rate was around 5.8 percent between 2015 and 2017, the youth unemployment rate was as high as 13.7 percent in 2017, which reveals that over 50 million youths are in unemployment worldwide. This shows the preponderance of young people among the unemployed (ILO, 2016; Olurinola and Fadayomi, 2014). For instance, in 2016, the youths in the age cohort 15-24 years represented more than 35 percent of unemployed people globally, despite representing just over 15 percent of the world's labour force and 21 percent of the global working-age population. The same trend is observed among the different regions of the world, thus revealing the high exposure or vulnerability of youths to a higher rate of open unemployment in comparison to the rest of the labour force.

The second issue has to do with the fact that while those in either unemployment and/or vulnerable employment among the youth are rising, so also is the rise in the proportion of those not in

employment, education and training (NEET). The discouraged worker effects arising out of the loose labour market are, more often than not, the root factor for the growing number of persons who are NEETs. Thus, the combined forces of unemployment and increasing poverty rates among the youth make many youth have the tendency of engaging in criminal activities like drug abuse, armed robbery, among others, while many others among them struggle to travel abroad for better education and employment opportunities outside their home countries.

Chancellor sir, distinguished audience, this address is geared towards x-raying the powers of the urban labour market in providing jobs for the ever-increasing labour force migrating to cities in search of jobs primarily in the formal sector. However, when such formal sector jobs are not available they turn to the informal economy. One important origin of new entrants into the urban labour market is the rural areas of national economies. The traditional agricultural practice, with very low or even zero marginal productivity has been releasing surplus labour to urban areas to take up jobs in the growing industrial sector as envisioned by Lewis' (1954) model and its modifications by Todaro (1969, 1970). However, the industrial development reality in developing nations is that the urban industrial production processes are not labour absorbing but labour-displacing due to the technology employed. The unemployed in urban areas, more often than not, do not have sustainable means of financial support, as there are no forms of social safety nets

either from the Government or family members. Thus, those migrants that determined not to return to their rural origin started to provide for themselves in the cities by taking advantage of the income and self-employment opportunities in the informal sector through the provision of services and/or trading in commodities with low capital requirements. Some get engaged in the informal apprenticeship training when they are fortunate to have masters who are prepared to provide accommodation and feeding during their period of apprenticeship. In return, these apprentices would supply free services while receiving on-the-job training and, perhaps, after as journeymen.

1.2 My Research Focus

When searching for the area of focus for Ph.D in 1986, I had discussions with the then Mr. Oladeji (now Prof. Oladeji), a faculty in the Department of Economics who suggested a study of the informal economy. As I reflected on the suggestion to study the income and employment potentials of the informal economy, I came across the works of Amin (1981) which argued with sufficient evidence that the informal sector in the Dhaka City of Bangladesh has been a provider of gainful employment for those who were not either qualified or could not find a place in the urban informal sector. Further literature search brought me in contact with the study of the ILO on the Kenyan economy (ILO, 1972), Sethuraman (1981) and Weeks (1974) to mention just a few of them.

Several studies of the informal economy in Nigeria began to open up as I searched further. For instance, my Ph.D supervisor Prof. Olaloye introduced me to the studies of the informal labour market of Ibadan by Callaway (1963, 1964, 1972), and later I found the research report of Fapohunda (1975) on the informal sector of Lagos. All of these stimulated my interest in the study of the informal labour market of Nigeria. To test my idea, I suggested to one of my undergraduate research students at University of Ife, Ile-Ife (now Obafemi Awolowo University, Ile Ife) to undertake a study of the condition of employment of informal sector workers in Badagry, Lagos. He agreed. I gave him all the support in terms of literature search, the design of questionnaire for the study and data analyses. He came back with findings that aroused my interest further, since not much was known about the sector outside the studies by Callaway (1963,1965, 1973), Fapohunda (1985) and Mabogunje and Filani (1984). The success of the Badagry study gave me the encouragement to initiate another study in Ile-Ife where I studied the activities of the Auto-Repair operators and tested both the Becker's and Mincer's theories of earnings distribution using the informal sector data generated from the study. All these success stories made me embark on the informal sector studies of the city of Ibadan for my Ph.D degree which I obtained in 1991. To God alone be all the glory.

In the sections that follow, I shall be discussing the conceptual overview of both the informal sector and the informal economy,

while I shall also touch on the controversial issue of the size of the sector both in terms of employment and output. I will thereafter discuss the findings of our studies with respect to the subject-matter of this address during the pursuit of my career in Economics, first at Obafemi Awolowo and now in Covenant University. The last section gives the implications of our findings for policy formulation.

2.1 Evolution of the Field of Study

Chancellor Sir, permit me to provide some historical background to the discovery and use of the concept of the informal sector which is now a common term in the fields of Economics, Sociology and Anthropology, among other disciplines in the Social Sciences. Over four and a half decades ago, a social scientist, Keith Hart, a Lecturer in Social Anthropology, University of Manchester, presented a paper at the Conference on Urban Unemployment in Africa held at the Institute of Development Studies, University of Sussex, in September 1971. The fieldwork for the paper was undertaken in Ghana during the period 1965-8, and the paper came up with the informal sector concept for the first time in academic literature. This paper jumpstarted the debate on the income opportunities available outside the formal economic sector of Ghana. The paper described the economic activities of the low-income migrating Frafra in the low-income, low-productivity wage and self-employment opportunities of the urban labour market of Southern Ghana.

The primary research question asked by the paper was this: Does the 'reserve army of urban unemployed and underemployed' really constitute a passive, exploited majority in cities like Accra, or do their informal economic activities possess some autonomous capacity for generating growth in the incomes of the urban (and rural) poor? His analysis provided an answer to this question by x-raying the income opportunities in both the formal and informal sectors of Ghana. For Hart, the formal and informal income opportunities can be distinguished by the wage and self-employment activities in the urban labour market. Two key variables are also emphasised: (1) the degree of rationalisation of work - which has to do with whether or not labour is recruited on a permanent and regular basis for fixed rewards; and (2), the degree to which enterprises can be enumerated by the Government officials for inclusion in the gross national output. Those enterprises that are 'invisible', that is, those who escape enumeration - are usually classified as 'the low-productivity urban sector', 'the reserve army of underemployed and unemployed', 'the urban traditional sector', 'urban informal sector' and so on. The entire gamut of urban economic activities are classified into two: (i) formal income opportunities, and (ii) informal income opportunities which can be legitimate or illegitimate. Legitimate activities are classified into 5 categories and they are: (a) Primary and secondary activities- farming, market gardening, building contractors and associated activities, self-employed artisans, shoemakers,

tailors, manufacturers of beers and spirits.

(b) Tertiary enterprises with relatively large capital inputs - housing, transport, utilities, commodity speculation, rentier activities.

(c) Small-scale distribution - market operatives, petty traders, street hawkers, caterers in food and drink, bar attendants, carriers (kayakaya), commission agents, and dealers.

(d) Other services - musicians, launderers, shoe-shiners, barbers, night-soil

removers, photographers, vehicle repair and other maintenance workers; brokerage and middlemanship (the maigida system in markets, law courts, etc.); ritual services, magic, and medicine.

(e) Private transfer payments - gifts and similar flows of money and goods between persons; borrowing; begging.

Examples of Informal income opportunities that are considered illegitimate are:

(a) Services - hustlers and spivs in general; receivers of stolen goods; usury, and pawn-broking (at illegal interest rates); drug-pushing, prostitution, smuggling, bribery, political corruption Tammany Hall-style, protection rackets.

(b) Transfers- petty theft (e.g. pickpockets), larceny (e.g. burglary and armed robbery), speculation and embezzlement, confidence tricksters (e.g. money doublers), gambling.

Though dwelling more on the legitimate activities of the Accra informal sector, the paper argued that the informal sector

provides income and employment opportunities for the poor and the jobless.

Almost at the same time in Nigeria, Archibald Callaway (1963, 1965, 1973) conducted a study in the city of Ibadan within the micro and small enterprise organisations - which were later referred to as informal sector businesses. The series of studies conducted became pivotal to the opening up of the potentials of informal sector organisations in skill development using the apprenticeship system as well as employment creation for young school leavers. Similarly in Kenya, the studies by EARC (1955), Harbison (1967) alluded to micro and small scale enterprises as well as their potentials for economic development. These micro businesses were later referred to as the informal sector enterprises.

The study of micro-enterprises by Foster (1965) in Ghana, later known as the informal sector, was carried out almost at the same time with Callaway's study in the city of Ibadan in the mid-1960s. In the study, Foster unearthed the apprenticeship system by the 'bush mechanics' which was a precursor of the informal apprenticeship system for which the informal sector enterprises are now known.

Two years after the Sussex seminar where Hart presented his paper on the income opportunities in Ghana, the International Labour Organisation popularised the informal sector concept

through the employment mission sent to Kenya to investigate the income opportunities in the urban informal labour market, operating outside the formal economy. The report of the Mission became the first known publication on the informal sector (ILO, 1972) while several city studies were commissioned for study (Sethuraman, 1984; Fapohunda, 1985; Joshi, et. al., 1976). The thinking in the academic circle in line with the segmented labour market theory was that the informal sector would not be a permanent feature of developing and emerging economies but would disappear as the economy grows over time. Rather than disappearing over time with the increasing the modernisation of cities, the size of the informal sector in cities has been observed to be increasing. Through the efforts of international organisations like the ILO, World Bank, IMF among others as well as institutions-based researchers on the informal sector, there have been a plethora of studies, debates and arguments regarding the definition, size and contributions of the informal sector to employment, income and welfare enhancement of the labour force who could not obtain employment in the small-based formal sector enterprises of many developing nations, since the 1970s. The following sections examine some of those arguments.

2.2 Defining the Informal Sector and the Informal Economy

Defining the informal sector concept has been described in the literature in terms of attempting to describe a giant elephant by some blind men. Giving a vivid illustration of what this meant,

Peter Kilby wrote thus:

The informal sector Heffalump is a rather large and very important animal. She has been hunted by many individuals using various ingenious trapping devices, but no one so far has succeeded in either capturing or accurately measuring her. All who claim to have caught sight of her report that she is enormous, but they disagree on her particularities. Most Heffalump hunters travel long distances to categorise the animal and some have made a career of it. However, increasingly local hunters are involved too, albeit for less reward and on a more ad hoc basis than the big-game hunters of Europe and America. The informal sector Heffalump is a variegated sort of animal, appearing in different forms in different places. When the informal sector Heffalump was first discovered she was found in an urban area, so thought to be an urban animal, but has since been identified as a native of different habitats. She also appears to have undergone some evolutionary changes or mutations since the first reports of her existence were made public by Heffalump hunters in the past. So it is not surprising that there is disagreement about the nature of the beast.

Many of the literature on the informal sector usually begin with the definition of the term 'informal sector'. This may be due to the fact that the definition adopted has an impact on the method adopted as well as the policy prescription emanating from such analysis. For instance, a comparison of the ILO's studies (ILO, 1972; 2002; 2012), with some others having a different view of the sector (e.g. Moser, 1978) bears undeniable evidence to this assertion. In general, various definitions have been given to the informal sector. The term 'informal sector' (NFS) was introduced into economic analyses by Hart (1970; 1973) in his study of employment opportunities in the urban areas of Ghana. According to Hart, the informal sector concept relates to the

economic activities of the low-income group among the urban labour force, the urban sub-proletariat of unskilled and illiterate majority of Frafra migrants in Accra, Ghana. The main question that the research by Hart examined is this: "Does the 'reserve army of urban unemployed and underemployed' really constitute a passive, exploited majority in cities like Accra, or do their informal economic activities possess some autonomous capacity for generating growth in the incomes of the urban (and rural) poor?" (Hart, 1971). For Hart, informal sector activities consisted of both legitimate and illegitimate activities.

The classification of informal sector activities into legitimate and illegitimate types have been criticised on several grounds and as such most studies concentrate on the legitimate activities within the urban labour market. Another important drawback of Hart's study is the fact that the issue of multiple job-holding in the formal and informal sectors, though recognised in his study in Ghana, was not given the required attention. This was well studied by the ILO (2003) leading to the change in name from the informal sector to the informal economy.

In Nigeria, the concept of the informal sector came up (indirectly) from the study of unemployment problems among young school leavers in the city of Ibadan by Archibald Callaway (1963). Following up on that study with a similar question is the study by the International Labour Organisation's Employment Mission to Kenya. The team employed the same

'informal sector' concept as that of Hart, and the study (ILO, 1972) brought the concept to prominence among scholars and urban development experts. The ILO's study, like Hart's, identified a host of income-generating activities outside the relatively small-based urban formal sector (FS) and such activities are said to be concentrated in the 'unorganised' sector of the economy (see also Mazundar, 1976). Informal sector activities are reported to be dominated by recent migrants, the very young, the very old, and women who are unable to obtain desired regular wage employment in the formal sector.

According to the ILO group, the informal sector enterprises are characterized by ease of entry, small-scale and labour intensive operation, technology is adapted and skills are acquired outside the formal school system and more importantly, they operate in highly competitive labour and product markets. Following the ILO's study in Kenya, many other scholars have adopted several additional qualifications of the sector for which it can be easily identified. For instance, in his analysis, Weeks (1975) describes the sector as 'unenumerated' since it is usually not covered by the governments' surveys. Mazundar (1976) regards the sector as 'unprotected' because income and employment in the sector lack appreciable degree of security and protection from the government. Instead, government officials are out to harass the informal sector workers in a bid to keep the city clean, or to keep street traders out of the highway, among other reasons. More often than not, self- or wage-employment in the informal sector

is casual, paid less than the regulated minimum wage, precarious and far from being decent as compared to the protected (formal) sector where the actions of trade unions, government or of both acting in concert ensure security of income and employment.

2.3 Size of the Informal Sector/Economy

One important area that is of some concern for policy making is the determination of the size of the informal sector and the structure of enterprises in it. The knowledge of the sector enables policy makers to know those that are engaged in the sector's economic activities as well as the frequencies and the magnitude of such activities. These are important for resource allocation decision in any nation. To measure the economic size of the sector, there should be conceptual clarity regarding the definition of the sector. According to Schneider (2004) the informal sector includes all economic activities involving unreported income from either the production of, and/or the transaction in, legal goods and services, either from monetary or barter transactions. In his paper, Schneider chose the 'shadow economy' rather than the informal economy label. His summarised definition thus 'includes all economic activities that would generally be taxable were they reported to the state (tax) authorities...' He went ahead to state that the deliberate concealment of activities in the shadow economy is meant to avoid (i) payment of income, value added or other taxes; and, (2) payment of social security contributions. The summary of the result of Schneider's analysis using the DYMIMIC approach is

that the average size of the shadow economy (in percent of official GDP) over 2002/2003 in developing countries is 39.1percent, in transition countries 40.1percent, in OECD countries 16.3 percent, South Pacific islands 33.4 percent and 4 remaining Communist countries 21.8 percent. His conclusion is that 'An increasing burden of taxation, high unemployment and low official GDP growth are the driving forces of the shadow economy'.

In an effort to measure the size of the informal economy, using the statistics of the employment by sex from 47 medium and low income countries, a distinction was made by the ILO between employment in the informal sector and informal employment. The former relate to the persons whose main or only job is in the non-agricultural informal sector unit, while the latter relate to the number of persons whose main or only job is informal employment. In the words of ILO (2012):

'Employment in the informal sector and informal employment refer to different aspects of informality. Employment in the informal sector is an enterprise-based concept and covers persons working in units that have “informal” characteristics in relation to, e.g., the legal status, registration, size, the registration of the employees, their bookkeeping practices, etc. Informal employment is a job-based concept and encompasses those persons whose main jobs lack basic social or legal protections or employment benefits and may be found in the formal sector, informal sector or households. Almost all persons employed in the informal sector are in informal

employment. However, not all those in informal employment belong to the informal sector: they may be persons working outside of the informal sector (i.e., either in the formal sector or in households producing for own final use) that have informal employment.'

In line with the above definitions, the informal sector is then defined as the combination of formal and informal jobs in cells 1 and 2 (of Table 1) while informal employment covers informal jobs in informal and formal enterprises in cells 1 and 3. The totality of employment in the informal economy covered by the ILO's report are jobs in cells 1, 2 and 3.

Table 1: The Anatomy of Informality

ECONOMIC UNITS	INFORMAL JOBS	FORMAL JOBS
Informal Economic Units	1	2
Formal Economic Units	3	4

ILO, 2012; Williams, 2017

The concept of 'employment in the informal economy' can then be broken down as follows:

(a) Going by the enterprise-based concept, the informal sector covers both formal and informal jobs in informal sector enterprises (Cells 1 and 2, Table 1). Note that informal sector enterprises are private unincorporated enterprises that are unregistered (with the relevant national legislative authority) and small in terms of the number of persons employed, usually between 1 and less than 10 employees.

(b) Going by the 'informal employment concept', this covers informal jobs in both the formal and informal enterprises. (Cells

1 and 3, Table 1).

The size of the informal economy is large and rising in developing nations while the reverse is the case for developed nations. As shown in Table 2, sourced from ILO (2012), South Asia

Table 2: Employment in the Informal Economy as Percentage of Non-agricultural Employment by Global Region

Global Region	Total employment in the informal economy as percent of non-agricultural employment	Number of Countries
East Asia and Pacific	64.8	4
Europe and Central Asia	22.8	4
Latin America and Caribbean	58.2	16
Middle East and N. Africa	59.0	1
South Asia	75.9	3
Sub-Saharan Africa	64.8	8
All Global Regions	57.4	36

Source: ILO (2012) and Williams C.C. (2017); p.13

has the largest informal sector, which is 75.9 percent of non-agricultural labour force, while Europe and Central Asia has the lowest of 22.8 percent. Sub-Saharan Africa has the same size of about 64.8 percent of non-agricultural employment. In Nigeria, the size of the informal economy is estimated to be about 50-60 percent of non-agricultural employment. Given its size, it deserves the attention of policy makers.

3. SOME THEORETICAL PERSPECTIVE

3.1 The Segmented labour market concept

The dualist school of thought took its intellectual foundation

from the works of Lewis (1954); Todaro (1969), Harris and Todaro (1970) and was very popular in the 1960s and 1970s. This school of thought views the traditional sector (in the Lewis formulation) as less productive, relative to the modern industrial (formal) sector. Todaro views the informal sector as those peripheral activities that are not linked with the formal economy, and the sector is seen as a waiting ground for rural migrants wanting to enter into the higher productivity industrial formal sector. The informal sector is believed to be temporary, and is expected to be fully absorbed by the formal economy as economic transformation reaches its full stage.

In my view, the study of informality and informal economy in general started with the market segmentation theory. Once upon a time, there was a market that could be described as mono-structural in the sense that everyone is engaged in the primary activities of gathering, hunting, planting, harvesting and exchanging the products either by barter or in local markets organised either on a daily basis or on a regular rotating days of the week. This was the system of things in many developing economies before the superimposition of the 'other world' market where the economy activity became diversified into not just primary activities of farming, mining, quarrying, among others; but also into secondary and tertiary activities. Secondary activities include basic processing of the products of primary activities while the tertiary activities are basically services.

The labour market segmentation theory started formally with the works of Arthur Lewis (1954) who opined that the labour market of a national economy is made up of several distinct segments

which are not in silos but are connected with one another. The work on the labour market segmentation took a great measure of importance because majority of people in a given nation derive the greater part or even all of their income from the supply of their labour services through the market. The segmentation theory rejects the notion of a unified homogeneous labour market where homogenous labour supplies services at a given level of wages. Rather, it assumes a heterogeneity of jobs quality in different sections or sectors of the market. Each section of the market offers different wage levels even when human capital variables are not obviously different (Fields, 2009).

To simplify the labour market segmentation modelling, Lewis (1954) narrowed down the different segments of the labour market into two. The dual segments of the market are: the traditional Agriculture in the rural sector and the Modern industrial production activities in the urban sector. This dualistic segmentation was later modified by Todaro among others (Todaro, 1969). In his analysis, Todaro argued that each of these sectors as conceived by Lewis can co-exist in each of the rural and urban segments of the economy. Fields, in his analysis of a dualistic labour market specified two conditions for the existence of dualism as follows: *(1) Jobs for individuals of a given skill level differ in terms of their pay or other characteristics, and (2) Access to the more attractive jobs is limited in that not all who want the better jobs can get them*". Thus, in a given labour market of a dual nature, there is a distribution of jobs in order of their quality: good or desirable jobs in the modern industrial or formal sector,

bad/undesirable/precarious jobs in the Traditional/Agricultural or the informal sector.

Contrary to Traditional/Modern classification, Reich, et.al. (1973) are of the view that the segmented markets need not be dichotomised by their location within the traditional/agricultural and modern/industrial sectors. Both segments can be either in the modern or traditional sectors. The distinguishing characteristic is that the primary and secondary segments of the labour market differ by the relative stability of jobs in each of the segments. For instance, primary jobs are not only well paying, but also require high skills, most of which can be acquired both in schools and on the job, work habit is stable and there exist clearly defined job ladders. However, secondary jobs do not require stable working habits, wages are low, turnover is high and job ladders are few or basically non-existent. Thus in the rural sector, both labour market segments can be present, such as formal production units/establishments located in rural areas, perhaps to take advantage of abundant and cheap major raw materials. In such rural settlement can be found government-owned hospitals, schools and extension offices of major Governmental Ministries and Departments. Also, there are secondary activities in the modern cities side by side with formal establishments.

3.2 The Structuralist School

Contrary to the view of the dualists, the structuralist school of thought is made up mainly of Marxian economists, and argued that the urban labour market is made up of several subsectors, e.g. self-and wage-employment at the extremes. In a broader

perspective, therefore, they contend that it is more realistic to think of a continuum of heterogeneous activities in the labour market, stretching from 'stable-wage-work' to 'true self-employment'. Between these extremes are intermediate activities like casual work, domestic service, basic repair services, personal services like barbing and hair-weaving, other miscellaneous services like traditional healing and general health consulting among many. For these analysts, it is believed that transition from one activity to the other during the lifetime of a typical worker within the defined continuum is possible. Moreover, they are of the view that engagement in the informal sector is said to be both unstable and highly dependent on the capitalist sector in terms of, say, subcontracting or the supply of spares, capital, and so on, at exploitative prices. Moreover, whether in true self-employment or wage, informal sector workers are said to lack security of employment and stability of income as compared to those in formal employment (Bromley and Gerry, 1979). More importantly, the informal sector is said to be subordinated to, and exploited by the formal sector. This is because the informal enterprises supply cheap labour and other productive inputs to the formal organisations thereby lowering the latter's cost and also improve their ability to compete. To the structuralists, economic growth may not lead the informal sector to be absorbed by the formal as the dependent relationship of the informal sector on the formal is highly beneficial to the formal and will want to keep it up in perpetuity.

3.3 The Legalists' School

The Legalists school of thought popularized by Hernando de Soto (1989) and others, believed that the informal sector was

comprised of micro entrepreneurs who preferred to operate informally to avoid the costs and responsibilities of formal registration. Azuma and Grossman (2002), following De Soto, argued that the informal sector enterprises developed as an escape route for the operators of micro and small enterprises from the heavy burdens of taxes, bribes and bureaucratic red-tapes which stifle private enterprise and drive them underground. Empirical studies in some Latin American countries show that the size of the informal sector is positively correlated with the level of tax burden, labour market restriction and inefficient government institutions, but negatively correlated with real per capita GDP (Loayza, 1996; Friedman et al. 2000). Thus, according to Baccheta, et.al. (2009), 'the informal sector enterprises constitute a reservoir for future increases in growth and living standards if only regulatory reforms and reductions in the tax burden could be introduced'. Furthermore, De Soto and others have championed property rights as a means of converting informally held capital into real capital (De Soto, 1989; 2000). This view perceives informality as a rational economic choice under the assumption of economic rationality after the consideration of costs and benefits of informality.

All the above theories were trying to conceptualise the informal sector, but since the 1990s, due to a new surge of interest in the potentials of the informal sector for solving the chronic unemployment and poverty problems in cities of emerging and developing nations of the world, a rethinking of the informal sector concept has been taking place. To the chagrin of the dualists who theorised the continual decline of the informal

sector as economic growth progresses, empirical evidence showed that in both developed and developing countries, informality was persisting and growing. This led the ILO in the 15th and 17th International Conference of Labour Statisticians (ICLS) to take a critical look at the hitherto enterprise-based concept of informal sector. In 2003, therefore, the ILO changed the enterprise-based concept, to the job-based concept of informal economy. According to this new concept, the informal sector's conceptual framework became widely broadened from a 'sector' to an economy-wide phenomenon, and from an enterprise based concept to one that included not just the production unit but also the characteristics of the job or worker. Thus, both the informal, enterprise-based phenomenon plus those in the formal sector working informally were included in the informal employment in the informal economy concept. In our studies over the years, we have assumed the dual labour market approach, and in this lecture, I have used the terms 'informal sector' and 'informal economy' interchangeably, in spite of the slight differences in the two terms.

4. MY CONTRIBUTIONS TO KNOWLEDGE

4.1 Job Creation in the Informal Economy

The informal economy supplies the greatest number of jobs in Nigeria as well as the other developing economies of the world. In the 1970s, total wage employment in the Nigerian labour market accounted for a meagre 5.8 percent of the total labour force, while those engaged in the 'self-account, unpaid household workers and unpaid apprentices' (analogous to the informal sector employment) were over 94 percent. By the year 1985, these figures were 11 percent and 89 percent respectively.

Within the time period mentioned above, the national unemployment rate declined from 7.8 percent in 1970 to 4 percent in 1985 (Federal Republic of Nigeria 1970; 1975 and 1981). Expressed in a different way, in the 1970s, out of the total gainfully employed 26 million, about 23 million are self-account workers while about 1 million are in wage employment. By 1985, the self-employed class had grown to 31 million, representing 89 percent of the gainfully employed. In contrast, the wage employment in Nigeria in 1985 was still as low as 4 million representing 10 percent of total gainful employment. Since many of the informal sector workers are among those classified as self-account workers, it then follows that the informal sector provides employment for majority of the national labour force. This shows the prime importance of the informal labour market which serves as an employer of last resort for many of these workers. However, little is known about the employment conditions and earnings of the informal sector workers.

To bridge this knowledge gap, Ogunrinola (1991) examined the subject of income and employment in the city of Ibadan, following Callaway (1963, 1965, 1973). Given the massive influx of labour force from the rural communities into the cities of many developing nations to seek employment in the formal sector organisations, many of them do end up picking up employment in the informal sector either as own-account worker, employee/journeyman or an apprentice, when the desired formal sector jobs are not found.

The findings of the study confirm that the informal sector

contributes significantly to employment generation and skill development. Many recent migrants to the city created micro and small business enterprises for themselves while many others engaged themselves either as journeymen or apprentices in existing informal sector enterprises. The observed smallness in size of these enterprises notwithstanding, they have been found to be important sources of employment, income generation and skill/entrepreneurial development. For instance, the study interviewed the owners and other categories of workers engaged in 544 micro and small businesses and it was found that the sampled enterprises engaged over three thousand workers leading to an employment of about six persons per enterprise. Among the total labour force engaged, 20 percent of these workers are owners, 11 percent were employees/journeymen, 66 percent were apprentices while the rest were unpaid family workers. It is observed that regular monthly paid employment is not very popular with this kind of enterprise. This is because enterprise-owners are primarily motivated towards creating jobs for themselves and later invite other workers for assistance when demand for product or service is higher than the owner can cope with in terms of supply.

An important finding of the Ibadan city study is the very high proportion of apprentices among those engaged in informal manufacturing and technical services enterprises sub-sectors that the study investigated. These apprentices, in most cases were young school leavers that had recently migrated to the urban centres in search of formal sector employment. When such desired jobs were not forthcoming, many of them had to fall back on informal sector apprenticeship for skill development

with the expectation of becoming an informal sector entrepreneur after such training thereby availing themselves of the perceived employment and income potentials of the sector. Some of them might still not lose the hope of securing formal sector jobs after the training period in the informal sector; while some might decide to return to school for further training after the apprenticeship period. A further enquiry as to the future career expectations of the apprentices revealed that 88 percent of them decided to set up their own enterprises after training. Moreover, the fact that the government through the National Directorate of Employment is involved in apprentice training programmes points to the perceived potentials of the informal sector regarding its role in employment generation and skill development for the burgeoning urban labour force. This gives an impression that rather than being a journey, informal sector employment is a destination for many in the manufacturing and technical services sub-sector that was examined in the study (Ogunrinola, 1991; Sparks and Barnett, 2010).

Further evidence of employment creation in the informal sector has been empirically established in several subsectors of the urban economy of Nigeria. For instance, Ogunrinola (2011a, 2011b) reported an impressive employment creation for prime-aged adults and youths in the urban informal commercial motorcycle riding subsectors of the informal transport system in Nigeria. The study found that majority of the operators in the percent riding business were educated, since only 8 percent of them had no formal education. Those with primary education accounted for 25 percent, another 55 percent of them had attended secondary school while 11 percent had gone through

higher education. As a matter of fact, one of the enumerators for the data collection exercise of the study was an 'okada' operator and had obtained the Ordinary National Diploma (a 2-year post-Secondary school qualification in a Polytechnic) before he started the 'okada' riding business. Through his involvement in this business he saved some money to return to school for the Higher National Diploma; and supported himself throughout with funds generated through the same avenue (mostly during the long vacation period) until the completion of the 2-year HND programme. After his one-year compulsory national service, he had to return to the same business when he could not secure the much-needed formal sector employment.

Another interesting finding regarding the 'okada' operators in Nigeria was their relative youthfulness. The study found out that 59 percent of the respondents were below the age of 30 years, 39 percent were in the age range of 30-49 years, while only 1 percent were aged 50 years and above. In spite of the fact that percent riding venture carries a relatively high road accident probability of 56 percent, many of the young labour market entrants who could not find other means of sustenance were found to be engaging in it. Thus, the informal motorcycle taxi business is a major provider of employment and income generation for youths who would have remained in open unemployment in spite of the level of education acquired. This same conclusion was found to be true for Ghana as reported by Yaw Debra (2007).

Chancellor Sir, distinguished ladies and gentlemen; one surprising factor in the 'okada' riders study is that 74 percent of

the respondents had either received training in a trade or craft or were still in school. An analysis of the trades/craft learnt prior to engagement in percent riding were as follows: 25 percent, made up of 142 persons, had been trained in House Building and allied trades; another 182 representing 32 percent had undertaken training in Vehicle Maintenance and allied disciplines; 94 of them representing 16 percent had been trained in various aspects of small-scale Trading; 14 percent had acquired skills in Garment and Shoe manufacturing trades, 7 percent had been trained in various aspects of agro-processing and other miscellaneous ventures, while the remaining 6 percent were students still in school at the time of the survey (Ogunrinola, 2011b).

Given these findings, what then are the motivations for these youths for getting engaged in the risky percent riding business? The study found out that the main reason why these young riders had decided to pick up their current employment in the informal sector were as follows: 67 percent of the operators (n=597) were on the job to raise capital either to start up the trade/craft learnt previously or to finance further education. Seven percent are were in the commercial auto-cycle riding business after their failure to secure any job in the formal organisations, while 14 percent took up this vocation because of their preference for it, while the remaining 12 percent engaged in it as post-retirement vocation.

Classified into voluntary and involuntary factors, only 26 percent of the operators could be said to have picked up the informal 'okada' riding job voluntarily while the remaining 74

percent did so involuntarily. A further probe into the future career expectations of these operators showed that 71 percent of the respondents with previously learnt skills wanted to start own businesses, 13 percent wanted to return to school, 8 percent wanted formal sector jobs while the remaining 8 percent belong to the miscellaneous category. In summary therefore, self-employment in the informal sector is the main future career goal of the majority of the respondents while their engagement in 'okada' riding was merely a means to that end (Ogunrinola, 2011b). These findings show that, far from being a destination, the informal okada riding business is a means to an end for many of the operators.

Another interesting sub-sector of the informal economy that was studied is the informal trading in Nigeria. The study examined the contributions of the sub-sector to employment and output creation in Nigeria. The result of the study confirmed the creation of employment for many of the recent urban labour force entrants (mostly migrants) that have no opportunity to obtain a job in the formal labour market (Olurinola, et. al., 2014). In spite of the harassment of government officials and the hazardous nature of street trading, many are still participating in it as a coping mechanism in the urban centres where there is no support either from the Government in form of unemployment benefits or from family members.

A total of 3,873 street traders were interviewed in four different cities in Nigeria and the spread is as follows: 1,326 representing 34.2 percent of the total respondents were interviewed in Lagos, 1,537 representing 39.7 percent of total respondents were drawn from Aba and Port-Harcourt

representing the Eastern part of Nigeria, while the remaining 1,010 representing 26.1 percent of total sampled population were from Kano, in the Northern part of Nigeria. The participants in the street trading activities were young (with a mean age of 28 years), while 78.80 percent of all respondents were in the 15-34 years age cohort. The East had the highest percentage of those in 15-34 years in street trading (81.5 percent), the West followed with 65.8 percent while the North had 52.6 percent of them in street trading. In addition to being young, these youths were also literate. In terms of formal educational attainment, only 14 percent had no formal education while the remaining 86 percent had at least primary education. Again, like those in the 'okada' riding business, many of the street traders were in it to raise capital to start previously learned trade/craft or to return to formal educational institutions. Only few of them had taken it as a lifetime occupation.

4.2 Skills and Entrepreneurial Development In the Informal Sector

4.2.1 Skills Development in the Informal Sector

One important research question relating to the informal economy is if the sector is a help or hindrance to the aspirations of the jobless. In other words, Is the informal economy a vibrant, entrepreneurial part of the economy that allows status mobility; or is it a marginalised sector allowing its participants to eke out mere existence in the urban labour market? The ILO's study of 1972 on Kenya was one of the attempts to uncover the potentials of the sector with respect to employment generation, poverty alleviation and output growth in the economy concerned. According to the report, 'There are in the first place

three distinct types of problems underlying concern with the employment situation. ... the frustration of job seekers unable to obtain the type of work or the remuneration which they think is reasonable, or which their education has led them to expect; the low level—in fact the poverty level—of incomes obtained by many producers and their families as the returns on their work, whether in self, family, or wage employment; and the underutilisation and low productivity of the labour force, both male and female, which reflects inefficiency in the way labour is trained, deployed or supported with other resources'. (ILO 1972). Many years after the Kenya study by the ILO, the same question is still being investigated as Williams (2017), in a recent study asked: "... are informal activities a route to greater prosperity (national and individual) and expanded opportunities? Are they ladders or cul-de-sacs?"

As reported in the literature (Ogunrinola, 1991; Williams, 2017), majority of the workers and enterprises in many developing nations operate in the informal economy. Also employment creation and start-ups take place more in the informal compared to the formal sectors of the economy. For instance, Williams (2017), quoting Autio and Fu (2015) report that *'59 percent of all new businesses in OECD countries start-up in the informal economy, 62.6 percent in transition economies, but 83.8 percent in Asia and Pacific countries, 91.2 percent in Latin American and the Caribbean countries and 98 percent in African countries. Similarly, 59.8 percent of non-agricultural workers globally have their main employment in the informal economy, ...'* Also, the informal economy contributes significantly to the national output of many economies of the world including those

in the OECD, and as such the discussion of the skill and entrepreneurship development in the sector is very important. The apprenticeship system has been adjudged the most common type of training in the informal sector.

One of the pioneering studies of the apprenticeship system in the informal sector is that of Callaway (1963) in Ibadan city. The typical school leavers in the 1960s get to the urban sector searching for white-collar jobs in the urban formal sector. However, after some period of fruitless search, he turns to the informal sector either for own-account job as self employed or to informal sector apprenticeship to a master, if his parents can afford to pay the necessary training fees. In this regard, Callaway observed a typical school leaver who 'roams the streets, sauntering past the mechanic workshops and the small craft industries - the carpenters, tailors, sandal-makers. If his parents can afford the fees, he can compete to become an apprentice, perhaps to a motor mechanic (Callaway, 1963: 355). Callaway's study focussed mainly on the "traditional apprenticeship" training (1963: 359), or what is now also termed *informal* sector training'. Through the apprenticeship training system, the informal sector has trained drivers, mechanics, barbers, painters, and many others who have been contributing to the growth of the economy of the nation.

In another study conducted in Ibadan (Ogunrinola, 1991), five hundred and forty-four micro and small enterprises were covered. These enterprises had 647 self-employed owners, 341 journeymen/workers, 2,119 apprentices and 106 unpaid family workers. The sampled enterprises were broadly classified into

two: Manufacturing (53 percent) and Technical Services (47 percent). The Manufacturing sub-sector was categorised into 6 sections: (i) Wood Works; (which was made up of Saw-milling; Carpentry and Furniture-Making; Wood carving); (ii) Leather Works; (iii) Cloth and Garment Manufacturing; (iv) Metal Works; (v) Block Making, and (vi) Printing. The Technical Services (47percent) is categorised into: (i) Auto-repair Services (Auto-Mechanic, Auto-Electricity including Battery Charging; Tyre Repairs/Refurbishing, Vehicle Spraying, etc); (ii) Electrical Works (Wiring, Electrical installations); and (iii) Other Miscellaneous Technical Services (Sign-writing, Watch Repairing, Barbing/Hairdressing Services, etc). These two broad classifications of enterprises were at the time of the survey training 2,119 apprentices represent an average of about 4 apprentices per enterprise. Each of these trained apprentices were the potential entrepreneurs in the Manufacturing and Technical services businesses in the informal sector.

The apprenticeship system was found to be the single most important source of skill acquisition and entrepreneurship development. The study found out that 90 percent of the entrepreneurs in the survey of enterprises in Ibadan were trained through the apprenticeship system. The sustenance of the traditional apprenticeship training system derives from the earnest intention of masters to take on apprentices as they (the apprentices) contribute to output and income generation. Apprentices serve as cheap labour in the enterprises during the years of training. On the successful completion of their training, these apprentices pay a token sum of money to their masters. The apprentices themselves, most of whom have readjusted previous

labour market expectations are also eager to finish their training programme and sooner or later set up their own enterprises.

An analysis of previous apprentices trained showed that all the enterprises sampled had trained a total of 2,160 apprentices, while 40 had been sent to them for training by the National Directorate of Employment (NDE). In total, 2,200 apprentices had been trained and this represented four trained apprentices per enterprise on the average. The entrepreneurs in the Manufacturing Subsector (MS) had trained a larger number of own apprentices totalling 1,293, while 18 were trained for the NDE. Entrepreneurs in the Technical Services had 867 own apprentices while 22 were trained for the NDE. The recognition and eventual utilization of the informal apprenticeship training mode by the government-owned NDE was an official recognition of the importance of this system of skill formation and entrepreneurship development.

Further investigation from the masters who trained these apprentices showed that most of them had been employed either as self-employed or employees/journeymen in the labour market. Table 3 shows the location and preoccupation of trained ex-apprentices, as reported by their masters. Sixty-one percent of ex-apprentices were self-employed in the same line of business where they received training; 11 percent were still with their masters as either journeymen or employees, while 4 percent were employed in the formal sector enterprises.

TABLE 3

LOCATION AND OCCUPATION OF EXAPPRENTICES

<u>DETAILS</u>	<u>PERCENTAGE</u>
Established own Enterprises	61
With Master as Journeymen/Employee	11
In formal Wage Employment	4
Looking for initial capital	2
Places Unknown	22
TOTAL (percent)	100

Source: Computed from Survey data by author

Two percent of these apprentices were yet to have enough initial capital while the rest (22 percent) could not be located by masters. In all, the Manufacturing and Technical Services (MATS) subsector of the Ibadan informal economy had created employment for 72 percent of these trained apprentices through the apprenticeship system

In the study of the informal auto-repair sector in Ile-Ife, Southwest Nigeria, Ogunrinola (1990) argued that engagement in human capital development in the informal sector makes significant contribution to earnings over the lifetime of the trainee. The study identified those trained in both the formal and informal sectors prior to engagement in the informal sector entrepreneurship as proxy for the quality of skill development among the master-craftsmen interviewed. Skill development variables were found to be statistically significant in the determination of earnings for all respondents, however, it was found that those trained in the formal sector (private or public) have significantly higher earnings than those trained in the

informal apprenticeship system. In spite of the fact that formal sector training was of higher quality, the study underscores the importance of skill development towards enhancing the earnings of informal sector operators. The study recommended regular upgrade of the skills and competences of informal sector entrepreneurs through the activities of formal sector organisation like the National Directorate of Employment (NDE), Industrial Training Fund (ITF), SMEDAN, among other institutions in Nigeria.

For those that have learnt a trade or craft before engaging in street trading in Nigeria, informal sector apprenticeship training was found to be the major medium of skill development among those interviewed in a nationwide survey of street traders in 2010 and 2011 (Olurinola, et al.; 2014). For many of the street traders who had earlier learnt a craft/trade through the apprenticeship system, engagement in street trading (or other means of obtaining finance, such as 'okada' riding, or working as a labourer on a construction site, among others) was a means of obtaining start-up capital along their journey towards self-employment as own-account worker of an entrepreneur in the informal economy. Many of these graduated apprentices would need to benefit from financial help to enable them settle into informal sector entrepreneurship immediately after the completion of their apprenticeship training.

Another important aspect of the study of the apprenticeship system was to find out why the apprentices got engaged in the skill development process of the informal sector. Thirteen percent got into apprenticeship because their parents could not

afford to finance their further education, 4 percent could not obtain the desired formal wage job, and 14 percent were influenced/forced by parents while the remaining 69 percent got into learning a job because of personal motivation and interest. Moreover, the latter group was interested in becoming self-employed after their trainings. Many of these apprentices (87 percent) were young school leavers with no previous working experience while the remaining 13 percent had previously engaged in one odd job or the other before becoming apprenticed. In terms of age, 45 percent of them were less than 20 years, 44 percent were between 20 and 29 years while the rest (11 percent) were at least 30 years old. Seventy-eight percent of them were male while the remaining 22 percent were female. This result shows that about seventy percent of the apprentices were mainly opportunity-driven towards the undertaking of the informal sector self-development while the remaining thirty percent were need or necessity driven.

Classified by formal educational attainment, about 1 percent of the apprentices had no formal education, thirty percent had either fully completed primary education or almost completed it; a little over three-fifths (63 percent) had passed through the secondary school, those with technical education were 1 percent less, while the remaining five percent did not respond to the question.

Chancellor Sir, it will interest you to note that the future aspiration of many of these apprentices was not to cross over to the formal sector organisations after completing their skill acquisition exercise. Sixty-seven percent of them intended to

establish their own enterprises in the survey city immediately after training, 10 percent intended to stay on with their masters as journeymen/employee in order to obtain either more practical experience and/or part of initial capital before establishing own enterprises, 12 percent preferred to establish enterprises in another town, while 11 percent preferred formal wage-employment.

4.2.2 Apprenticeship and Entrepreneurial Development In the Informal Economy

One of the major contributions of the informal sector is the provision of on-the-job training and skill development for youths who have no opportunity of employment in the formal organisations in developing nations. The evidence presented in several studies we have carried out (Ogunrinola, 1990; 1991; 2007; 2011; Olurinola, et.al., 2014) suggests that training through on-the-job apprenticeship system promotes informal sector entrepreneurial development. The adequacy of the skills development process is shown by the fact that the National Directorate of Employment found merit in the system and thus patronises some of the informal master crafts-persons as certified trainers in the NDE's Open Apprenticeship Scheme in Nigeria.

Of the 213 apprentices selected for detailed study, 13 were found to be NDE trainees while the rest were trained through the informal apprenticeship system. A detailed study of apprentices becomes important when it is realized that they are necessary for the future generation of urban informal entrepreneurs. Moreover, such a study will likely elicit those factors that

determine entry into the apprenticeship system and the development of relevant skills among the workers of the urban informal sector in Nigeria and elsewhere in developing nations. Findings from our studies show that apprentices in Manufacturing enterprises show a greater tendency towards establishing own enterprises immediately after training relative to those in Technical Services. Surprisingly, all apprentices in the Printing Trades expressed a determination to start and own their business enterprises immediately after their graduation from apprenticeship while 95 percent of those in Tailoring and Fashion Designing expressed a similar intention. Among those not intending to establish own enterprises immediately in both the Technical Services (9.6 percent) and Manufacturing Services (8.1 percent) were those that were interested in seeking formal sector employment, perhaps to be able to save to acquire the necessary capital equipment to start their own enterprises later.

4.3 Earnings of Workers in the Informal Sector

One of the goals of the ILO is the promotion of opportunities for decent and productive work among all types of workers and employers, and more especially among the informals. Thus the Organisation has put together four strategic approaches to enhance decent work conditions, thus promoting stable work with decent earnings in the informal economy. The four strategic approaches, tagged the Four Pillars of Decent Work are: Employment, Social Protection, Social Dialogue and Rights. They are adequately documented elsewhere (ILO, 2013).

With respect to the first pillar - Employment - the informal

economy has been a provider of employment to those who would have remained in open unemployment after having been unable to obtain productive work in the formal organisations. However, the earnings from such employment can be examined to determine whether or not it provides decent livelihood, by comparing the observed earnings with a given benchmark like legislated minimum monthly/annual earnings in the economy concerned. Our study of the informal economy spanned various occupational groups and an examination of the level of earnings in each of them is carried out in this section. The occupational groups studied are: (1) The Informal sector enterprise workers in Badagry (Ogunrinola, 1991a); (2) Auto-Repair Services workers in Ile-Ife, Nigeria (Ogunrinola, 1990³¹); (2) Manufacturing and Technical Services Workers in Ibadan, Nigeria (Ogunrinola, 1991²⁰); (3) The commercial motor-cycle taxi riders in Lagos and Ogun States, Nigeria; and (4) The Street Traders in Nigeria (Olurinola, et. al. 2014).

4.3.1 The informal Sector Enterprises Studies in Osun and Lagos States (Ile-Ife and Badagry respectively)

In the informal enterprises study of Badagry Nigeria, three hundred and twenty informal sector workers (employer and employees/journeymen) were interviewed in five occupations namely: Tailoring, Shoemaking, Printing, Welding and Carpentry. The average monthly earnings for all employees was 17 percent higher than the minimum wage. The Printing occupation recorded the highest monthly earning of 29 percent more than the minimum wage while those in Carpentry earned the least which was equal to the monthly minimum wage during the year of data collection. Given their level of earnings, these

entrepreneurs were saving 43 percent of income while 22 percent were being re-invested into the business on an annual basis. Rather than studying the relative earnings of operators, the study of the auto-repair workers in Ile-Ife examined the drivers of earnings by testing the earnings distribution function based on human capital theory as propounded by Mincer (1973). Until the time of the study, many researchers applied the theory to earnings in the urban formal sector while the earnings in the informal sector were believed to be invariant to human capital variables. The empirical result of the study showed that all the variables relating to education, labour market experience and quality of pre-service training were statistically significant in their effects on earnings of the informal sector operators in the auto-repair enterprises in Ile-Ife.

4.3.2 The Urban Informal Sector Enterprises in Ibadan

For the purpose of earnings analysis, the workers in the urban informal sector study in Ibadan were categorised into two: The Self-Employed and the Employee, and each of these were compared to the formal sector workers in terms of monthly earnings. For all the informal sector workers, earnings were higher than the minimum wage by 83 percent. The self-employed enjoyed a premium of 96 percent while the employees had a premium of 34 percent over the then minimum wage. Compared to the formal sector workers, the informal sector workers earned less in line with *apriori* expectations as the informals earn 196 percent of minimum wage compared with 248 percent being earned by formal sector workers. Intra-sectoral comparison of earnings within the informal sector showed that workers in the Technical services earned more (203

percent of minimum wage) than those in the Manufacturing services that were earning 181 percent of minimum wage. Also the earnings of the self-employed were found to be higher than those in the employee category.

In examining the drivers of earnings in the informal sector of Ibadan, a log-linear earnings distribution function was specified and estimated to elicit the factors that were significantly affecting earnings distribution. Four explanatory variables stood out so clearly and they are: Formal educational attainment, Quality of pre-service training, Labour market experience and its square and the sector of operation whether in Manufacturing or Technical service. Formal educational attainment was disaggregated into three: No Schooling, Primary Education, Secondary Education and Post-secondary education; each represented with a dichotomous dummy. Making the 'No Schooling' category the reference variable, the remaining categories were found to be statistically significant and had the expected positive influence on earnings. Both the labour market experience and its square were found to be statistically significant, making peak income to be achieved at 25 years of labour market experience.

The quality of pre-service training was found to be statistically significant and thus influenced the level of earnings. Four categories of training were specified thus: Informal apprenticeship; Training in the formal private sector establishment; Training in the public sector establishment and Training in the technical/vocational School. While the informal apprenticeship training was the reference category, the statistical

significance of the other variables showed the greater impact of formal institutional training programme on the earnings of informal sector entrepreneurs in the study location. To test the labour market segmentation hypothesis, we introduced the sector of employment dummy into the model. The sector-dummy variable for the formal sector was found to be statistically significant showing that formal sector workers earned more than their counterparts in informal employment.

4.3.3 The Street Trading Research, Nigeria

Street trading, unlike the other forms of trading is strictly on cash basis. Goods are collected from suppliers and are sold on the street for immediate cash. Result from the national survey of street trader shows that an average street trader works for 6.21 days per week with some slight variations in each of the Northern and Southern regions of the country. For instance, in the North, an average trader works for 6.41 days a week while similar figure for the South is 6.18 days. The findings show that street traders with the lowest daily sales revenue category of less than N2,500.00 per day, predominate as this class is over 40 percent of the entire distribution. About 72 percent of traders realised less than N5,000 as sales revenue per day. For daily profit, the picture shown is worrisome as close to 80 percent of the 3,773 street traders that responded to the question on profit, earned less than N2,500 per day. For both the daily sales revenue and profit, the daily average values were N4,610.04 and N2,147.69 respectively, while the weekly values stood at N28,628.10 and N12,047.28. In a month of four weeks on the average, the monthly sales and earnings are N114,500 and N48,189 respectively. Thus, in spite of the very low sales and

profit reported, the average earnings from street trading is 267 percent of minimum wage which is about three times higher than the minimum wage of N18,000 per month in the formal sector.

4.4 Informal Sector Enterprises: Marginal or Dynamic?

4.4.1 Occupational and Status Mobility

From the works of Arthur Lewis (1954), Todaro (1969), Harris and Todaro (1970), among others, with respect to the theoretical foundation of the dualistic labour markets in the developing nations, the idea that runs through all these theoretical formulations is that the traditional or informal sector is a temporary phenomenon that is expected to disappear as modernisation of the economy progressed, when all the rural surplus labour would have been transferred to the urban industrial sector. The urban industrial sector was expected, theoretically to be growing continuously as profits are reinvested from time to time thereby enabling the sector to continuously absorb all surplus in the urban labour market. Thus, the ever-increasing labour absorption capacity of the formal industrial sector in cities ensures that all rural surplus labour that migrated into the urban sector would find gainful employment in the urban industrial sector that is having higher productivity and hence able to pay higher incomes to the workers in the urban sector.

However, this prediction has failed to materialise as the informal sector in developing nations continues to expand with modernisation. This factor has led many researchers to examine why this is so and to further explore whether the sector is a temporary staging post for workers awaiting entry into the

formal economy (Todaro, 1969; 1970), or whether it is a help or hindrance to expanding the opportunities of the poor who failed to secure the desired employment in the formal sector (Williams, 2017). Others like Amin (1981) and Ogunrinola (1991, 2007) among others, have examined if the employment and income opportunities in the sector is marginal (i.e. allowing operators in the sector to eke out a meagre existence rather than earning a living wage) or dynamic in the sense of offering life-supporting and progressive form of employment capable of delivering income and status mobility for those engaged in it.

In his study of employment conditions within the informal sector enterprises in the Dhaka city of Bangladesh, Amin (1981) unbundled total informal sector employment into two categories: the self-employed and the employee in order to examine if the sector offered any economic benefits to those engaged in it. His study shows that the earnings of those in self-employment were higher than those in the employee category, either as full-time or part-time workers or journeymen. In addition, the self-employed enjoyed employment stability as well as status mobility - an upward movement from apprentice to employee or journeyman to self-account worker without employee to an entrepreneur with labour-engaging capacity. Such an opportunity for enhanced upward mobility or status is not only financially rewarding but also socially satisfying. For example, not less than a third of all enterprises studied by Amin were reported to have considerable growth potentials as compared to about a quarter that could be considered marginal. The others were said to be making at least an average living within the sector.

Ogunrinola (1991) in the study of the urban informal sector of

Ibadan examined the employment history and earnings trajectory of the respondents to determine whether employment in the informal sector was decent in terms of its potentials for enhanced social and occupational mobility or a precarious employment that was poverty-escalating. For the entire three hundred and fifty-one informal sector workers that responded to the study's questionnaire on job history, one hundred and ninety-five workers representing 56 per cent were in their first employment while the remaining one hundred and fifty-six, representing 44 percent had held at least one previous job before the current one. A disaggregation of the respondents who had held more than one job by status (in current employment) showed that one hundred and twenty three workers representing 79 percent were self-employed while the remaining thirty-three workers, representing 33 percent were employees.

When we examined the anatomy of occupational mobility of those in at least the second employment, it was found that majority of the workers were on their second job (100 out of 156 or 64 percent) and this was more pronounced among the employees (67 percent) as compared to the self-employed (63 percent). For the employees, none had held more than four previous jobs altogether and for the self-employed only 3 percent were in this group. Data analysis showed: (a) 4 persons who had four or more previous job experiences and these are the self-employed; (b) 10 persons who had three; (c) 42 persons who had two; and (d) 100 persons who had one such experience before getting employed in their present jobs. For the one hundred and ninety-five respondents in the 'more-than-one-job' category, there is the evidence of job/occupational mobility in

the urban informal manufacturing and technical services in the urban labour market of Ibadan.

For instance, evidence from the study (See Table 4 of Ogunrinola, 1991) showed that seventy-one workers, representing 58 percent of those in the self-employed category were employees in their immediate preceding jobs; forty among them, representing 32 percent were in informal employment as casual/journeyman/apprentice in immediate preceding category. Only twelve of the respondents, representing 10 percent of them remained in the same position as self-employed. This finding was an evidence of self – improvement and upward social mobility, since change of employment status from employee to own account worker or self-employed implied higher current income and better future prospects in the informal economy.

In total, out of the one hundred and eleven responding self-employed workers that experienced status mobility, 52 percent of them were engaged in Manufacturing, while the remaining 48 percent were engaged in Technical Services in the informal sector.

Among the thirty-three respondents that were in the employee category at the time of the survey, 36 percent of them reported status mobility from casual/domestic/apprentice status to employee/journeyman status. While 49 percent of them remained in the same previous status of 'employee', 15 percent of them reported status retrogression from self-employment in the immediate past employment to employee status in the current

job holding. Several important determinants of status mobility among the informal sector participants were clearly discernible, some of which were the length of labour market experience, the quality of knowledge of skill and dexterity on the job, the level of commitment to informal sector participation, the level of start-up and current capital stock, as well as the quality of formal educational attainment of the operator. Each of these factors was expected to vary directly with status mobility and hence earnings (Ogunrinola, 1991).

4.4.2 Dynamic Elements in the Characteristics of Workers and Enterprises

One important way of examining the dynamism or marginalism of an enterprise is to examine, over time, if there are positive changes in the characteristics of the human capital and selected enterprise phenomena that are critical for the growth and development of such entities. With respect to either the entrepreneur and/or the workers are the formal educational attainment which may also include other technical/vocational skill development attained by operators; age, labour market experience and reasons/motivations for engaging in informal sector employment - whether necessity-driven or opportunity-driven. The enterprise characteristics that should be observed for dynamic changes include the nature of business springing up in the sector (whether traditional or modern); the age of the enterprise, the volume of capital employed by enterprise, wage and salary paid to workers in relation to the national minimum wage, the level of employment as well as the level and growth of output over a given time period, among other important factors. Studies conducted by Ogunrinola (1991, 2007) have examined

some of the elements listed above while more recent studies (NISER 2013, 2014; Williams, 2017; among others) have provided fresh and more robust data on the variables listed above with which to examine the issue of marginality or dynamism of the informal sector enterprises. In terms of education, studies have shown that the educational attainment of entrepreneurs and workers has been increasing over time. For instance, while Callaway (1963) reported 49 percent of entrepreneurs as having no formal education, Ogunrinola (1991), studying informal sector enterprises in the same city found only 10 percent of the entrepreneurs in the 'no schooling' category. By the year 1995, Abumere (1998) found only 6 percent of the entrepreneurs having no formal education, and by 2014, NISER's study reported 3.5 percent. Graduates of Post-Secondary education were not part of the informal labour market during the studies of Callaway in 1961 as there are myriads of opportunities for them in the formal establishments.

TABLE 4: DISTRIBUTION OF ENTREPRENEURS BY FORMAL EDUCATIONAL ATTAINMENT IN NIGERIA (VARIOUS STUDIES)

EDUCATION	Callaway (1961)*	Fapohunda (1976)	Ogunrinola (1990)	Abumere (1995)	Ogunrinola (2008)	NISER (2013)	NISER (2014)
No Schooling	49	25	10	6	8	4.7	3.5
Primary Educ	30	55	50	26	25.1	12.2	9.5
Secondary	13	19	34	42	54.6	42.4	48.7
Post-Sec.			4	21	12.3	24.6	29.8
Others	8	1	2	5		16.1	8.5
TOTAL (percent)	100	100	100	100	100	100	100

Sources: Ogunrinola, 2007, 2011; NISER 2013, 2014).

* Dates of data collection for the studies and not necessarily dates of publication of the research findings

But as from the 1990s, 4 percent of the entrepreneurs are post-secondary schools graduates and this increased phenomenally to almost 30 percent in the informal sector studies in four states in

Southern Nigeria in 2014.

Thus, the entrepreneurial educational attainment has been increasing very rapidly and this has implications for the management of such enterprises. Educated enterprise owners are expected to be able to source, access, assimilate and use necessary information for business success. In addition, keeping books of record, relating with banks and other relevant institutions have the potentials of enhancing successful business performance.

The educational trend found among the entrepreneurs was also observed among apprentices who would be the future enterprise owners in the informal sector. Among them, only 1 per cent had never attended school, 30 per cent had primary education while the remaining 69 per cent had at least secondary education. This trend towards improved formal educational attainment of informal sector participants is a potent force towards managerial improvement, hence increased efficiency, modernization and dynamism of such enterprises over time.

TABLE 5: DISTRIBUTION OF ENTREPRENEURS BY AGE NIGERIA (VARIOUS STUDIES)

AGE OF ENTREP.	Callaway 1961*	Ogunrinola 1990	Abumere 1995	Ogunrinola 2008	Ogunrinola et.al 2011
Less than 30 Yrs	16	35	38	59	66.2
30-49 Years	75	57	55	40	30.4
50 Yrs and over	9	8	7	1	3.4
TOTAL (percent)	100	100	100	100	100

Sources: Ogunrinola, 2007, 2011; Ogunrinola, et. al. (2014)

* Dates of data collection for the studies and not necessarily dates of publication of the research findings.

Table 5 displays the age structure of entrepreneurs in the informal sector in Nigeria, using different studies taken in the years indicated in each of the columns above. Just like the educational attainment of the entrepreneurs that has been increasing, the sector has been having younger entrepreneurs. The study by Callaway recorded 16 percent of young entrepreneurs who were less than 30 years of age, while those in 30-49 years and 50 years and above were 75 percent and 9 percent respectively. By the year 2008, the study of the commercial taxi riders (popularly called percent riders) by Ogunrinola (2011) reported 59 per cent as belonging to the age group 'less than 30 years' while those 50 years and over were just 1 per cent. Since the 1990s, studies (Abumere et. al. 1995; Ogunrinola 2011) have shown the preponderance of young and educated persons in the entrepreneurial class of the urban informal sector in Nigeria. The combined factors of increasing education and younger entry age into the entrepreneurial class, are two important dynamic factors that cannot be over-emphasised. These young and educated people are able to innovate better, engage in skill adaptation through increased exposure to ICT facilities and, if properly motivated, can increase the contributions of the informal sector to income and employment in Nigeria.

The increasing rate of the absorption of the educated young people into the informal sector in the last five decades is a product of two important phenomena: the increasing rate of formal educational attainment of the general public on the one hand, and the low absorptive capacity of the formal sector to provide gainful employment for the outputs of the formal

educational systems, on the other. Recall that the educational policy of the Federal Government of Nigeria took a dramatic turn when the Universal Primary Education was launched in 1976, and was later followed by the Universal Basic Education in 1999. These two policies were veritable instruments of mass education. These policies led, over time, to increased enrolment in primary and post-primary institutions and hence, an increased supply of educational youths into the Nigerian labour market. With the prevailing high and rising rate of unemployment and underemployment in the 1990s to the 2000s, engagement in the informal sector occupations became an irresistible option for many of the graduates of the Nigerian educational system. In addition to the increasing educational attainment and younger age structures of entrepreneurs in the informal economy, other factors that have experienced shifts over time are the level of capital and average monthly profit per enterprise both of which are found to be increasing in real terms (Ogunrinola, 2007, Table 2). This is expected, as there is a positive correlation between educational attainment and streams of income from employment.

5. THE INFORMAL SECTOR IN NIGERIA: A HELP OR HINDRANCE FOR POVERTY REDUCTION IN NIGERIA?

Todaro's view of the nature of employment in the urban informal economy can be summarised by the probabilistic migration model which predicts that informal sector employment is a temporary staging post for recent urban migrants while waiting to secure the desired wage employment in the formal economy.

In other words, workers in the urban informal sector, are just temporarily holding on to present low-wage jobs for survival until the desired high-paying formal sector job is found. By implication therefore, the informal sector will then cease to exist when the formal sector is able to generate enough jobs to meet the needs of the urban labour force.

The prediction of Todaro was not upheld for many of the entrepreneurial groups in the Manufacturing and Technical Services subsector interviewed in the Ibadan study of 1991. In the said study, 86 percent of operators (workers and owners) and 85 percent of apprentices viewed their commitment to informal sector employment as permanent without considering the formal sector alternative. Surprisingly also, as many as 94 percent of the formal sector employees interviewed in Manufacturing and Technical Services occupations expressed strong desire of quitting formal sector jobs to establish their own enterprises in the informal sector. This is premised on the view expressed by majority (81 percent) of the workers interviewed that the informal sector employment is much more rewarding because, among other reasons, it guarantees freedom while the pride of owning an enterprise is also satisfying.

Chancellor Sir, we have now come to an important aspect of this lecture where we shall examine if the informal economy provides decent employment and income opportunities for those excluded in the formal labour market, or pushes them further into the depth of the pit of poverty and penury. In other words,

the main question being addressed in this part of the lecture is whether the informal sector has been a help or hindrance in providing gainful/decent employment and thereby contributing to poverty reduction in Nigeria. I have shown in section 4 of this address that the informal sector of Nigeria is a major contributor to employment generation in the Nigerian economy. This same conclusion was reached in the studies carried out by NISER (2013, 2014) where the Nigerian Institute of Economic and Social Research, through a study of six states and the Federal Capital Territory in 2013, and the study of four States in the Niger Delta Region in 2014, confirmed the employment generation ability of the Nigerian informal sector. The foregoing brings together in a summarised form, the points raised earlier, while new facts will also be brought on board to substantiate our argument. I shall highlight the various contributions of the informal sector using the following order: (a) Employment Generation, (b) Informal Sector Employment and Poverty Reduction, and (c) Physical and Human Capital Formation.

5.1 Employment Generation In the Informal Economy

Relative to the formal sector, the informal sector is the greater employer of labour. The sector is responsible for the employment of 50-60 percent of non-agricultural labour in the Nigerian economy. From his review of various studies, Ogunrinola (2007) has also shown the contributions of the informal sector to employment creation as shown in the table below:

Table 8: Employment Level in Informal Sector Enterprises (Various Studies)

Study	Year of Survey	No. of Enterp.	Total Engaged	Empt. Per Enterp
Callaway (1963)	1961	5,134	14,500	2.82
Fapohunda (1985)	1976	1,977	4,161	2.10
Ogunrinola (1991)	1990	544	3,213	5.91
Abumere et. al.(1998)	1995	1,991	7,909	3.97
CBN/FOS/NISER (2001)	1998	8,604,048	12,407,349	1.44
Ogunrinola, et. al (2005)	2005	275	275	1.00
Akande and Akerele (2008)	2006	5,057	9,055	1.79
NISER (2014)	2013	6,050,610	14,372,720	2.38

Source: Ogunrinola, 2007; Akande and Akerele, 2008; NISER, 2014

The average employment per enterprise was as high as about 3 in Ibadan in the 1960s as revealed by the study carried out by Callaway (1963). The national study of informal sector enterprises carried out by CBN/FOS/NISER in 1998 reported a total non-agricultural employment of 12.4 million with an average employment per enterprise of 1.4 persons. By 2013, the study conducted by NISER reported that the informal employment in the four states covered was 14.4 million with employment per enterprise at 2.4 persons. Table 9 gives the report of job creation in the formal and informal sectors of Nigeria from 2012 to 2016.

TABLE 9. JOB CREATION IN INFORMAL AND FORMAL SECTORS

YEAR	QUARTER	TOTAL	Formal	Informal	Public	TOTAL
2012	3	427,296	0.38	0.56	0.05	1.00
	4	385,913	0.39	0.54	0.06	1.00
TOTAL	Q3 - Q4	813,209	0.39	0.55	0.06	1.00
2013	1	431,021	0.40	0.54	0.06	1.00
	2	221,054	0.36	0.51	0.13	1.00
	3	245,989	0.31	0.57	0.12	1.00
	4	265,702	0.38	0.54	0.08	1.00
TOTAL	Q1-Q4	511,691	0.35	0.55	0.10	1.00
2014	1	240,871	0.32	0.66	0.02	1.00
	2	259,353	0.30	0.68	0.02	1.00
	3	349,343	0.42	0.57	0.02	1.00
	4	369,485	0.37	0.61	0.01	1.00
TOTAL	Q1-Q4	718,828	0.39	0.59	0.01	1.00
2015	1	469,070	0.28	0.71	0.01	1.00
	2	141,368	0.36	0.59	0.05	1.00
	3	475,180	0.09	0.90	0.01	1.00
	4	499,521	0.05	0.95	-0.01	1.00
TOTAL	Q1-Q4	974,701	0.07	0.93	0.00	1.00
2016	1	79,465	0.27	0.77	-0.04	1.00
	2	155,444	0.35	0.68	-0.03	1.00
	3	187,226	0.26	0.77	-0.04	1.00
TOTAL	Q1-Q3	342,670	0.31	0.73	-0.04	1.00

Source: National Bureau of Statistics: 2012:Q3-2016:Q3

This table reports the percentage distribution of employment creation in the formal (private and public) and informal sectors of Nigeria within the period 2012:Q3 and 2016:Q3. In every quarter reported, the informal sector outperformed the formal private and public sectors in job creation. There is no quarter that the informal sector job creation was less than 50 percent between 2012 and 2013. With the national credit squeeze as a result of a drastic drop in the price of crude oil since 2014, job creation in the formal sector (private and public) declined from about 39 percent in 2014 to 7 percent in 2015 while job creation in the informal sector rose from 59 percent to 93 percent within

the same period. During the three quarters reported for 2016 the public sector experienced job destruction while the private formal sector added 31 percent, and the informal sector contributed 73 percent of all new jobs.

The studies by Akande and Akerele (2008) and that of NISER (2014) also provided evidence of regular job creation in the informal economy of Nigeria. For instance, for the period 2002 to 2006, total job requirement in the sampled enterprises sampled by Akande and Akerele were 2,234; 2,412; 2,747; 3,075; and 3,830 which represented an annual compound growth rate of 11 percent (Akande and Akerele, 2008. Table 4.14, p.48). In the studies by NISER (2014), employment generation from 2010 to 2012 in the enterprises surveyed was 387 (an increase from 6,079 employment in 2010 to 6,466 in 2012) which represented 3 percent annual compound growth rate. Thus, in terms of job creation, the informal sector has been consistent, thereby engaging those who would have otherwise remained idle and destitute. In addition to providing employment, the sector is involved in human capital formation through the apprenticeship system which was responsible for the training of 55 percent of respondents in the national study carried out by Akande and Akerele (2008).

5.2 Informal Sector Employment and Poverty Reduction

Is the informal sector employment a ladder out of poverty or a cul-de-sac? Chancellor sir, the answer to this question is not a straightforward 'yes' or 'no'. In the previous sections of this lecture, I have shown that the informal sector has outperformed

the formal sector (including the public sector) in terms of job creation. In the second place, the informal sector has 'rescued' many of the operators from open unemployment to informal employment in the urban labour market. This leads us to the next question: Are the jobs provided by the informal sector stable, decent or precarious. Does it pay a living or subsistence wage?

Machado and Perez-Ribas (2008), in a study of the Brazilian economy examined whether informal employment was a way out of poverty or a cul-de-sac. Their analysis was based on the dataset of those moving in and out of poverty on a monthly basis for workers in the formal and informal sectors of the economy of Brazil. They found out that:

... 70 percent of the poor in a given month remain in poverty the following month and 53 percent are still in poverty after 12 months, which is slightly lower than the 60 percent of low-income groups in the US and UK who remain in poverty after a year, suggesting that Brazilian metropolitan labour markets have been more effective in promoting income mobility for poor workers (defining poverty by per capita income in relation to the relative poverty line of 60 percent of median income). Examining those moving out of poverty (i.e., upwards mobility), they find that 3 percent of poor workers in the informal sector move out of poverty the following month but just 1 percent of poor formal sector workers. Thus, poor workers in the formal sector are less likely to escape poverty. In other words, there is greater upwards mobility out of poverty for the poor working in the informal economy

than for the poor working in the formal economy. Importantly, 85 percent of the informal workers who move out of poverty continue working in the informal sector and just 11 percent move from informal into formal jobs. Hence, these workers escape poverty while remaining in the informal economy. The formal sector therefore does not help people escape poverty as much as the informal sector. Reinforcing this, of those unemployed moving out of poverty, 37 percent did so by joining the informal economy and just 14 percent by taking formal jobs.

What result do we have from the Nigerian data? Earlier in this paper, we have shown how informal sector employment leads to upward status mobility when an apprentice 'graduates' to become a master-craftsperson starting his/her career either as an employee or journeyman and how he later moves upward the occupational ladder to become a self-account worker. If he continues in the sector and works hard, he becomes a self-employed entrepreneur with journeymen/employees, apprentices, and/or unpaid family worker. If found qualified by formal educational attainment and adjudged to be highly skilled, he may even be appointed as a certified trainee for the National Directorate of Employment under the National Open Apprenticeship Scheme. As he rises on the occupational status ladder, his earnings also rise.

Ogunrinola (1991) found that the self-employed in the informal sector of Ibadan earned 189 percent of the national minimum wages while the employees earned 111 percent. For the national

study of the informal sector undertaken by Akande and Akerele (2008) the self-employed earned an average monthly income of about 350 percent of the national minimum wage while that of the employee was 230 percent. For the entire informal sector, the average monthly earnings was 186 percent and 290 percent of the national minimum wage in the Ogunrinola (1991) and Akande and Akerele's (2008) studies, respectively. Concluding therefore, Akande and Akerele assert that:

The result on the earnings of workers in the informal sector does not support the earlier view in the literature that informal sector workers are the urban poor who are trying to eke out a meagre existence. It has been shown here that the earnings of workers in the informal sector should not be seen as being synonymous with the urban poor. ... (Thus) if the constraints facing the informal sector development can be removed, the operators in the sector will generate more income and expand the employment potentials of the sector (Akande and Akerele, 2008; p. 72).

5.3 Physical and Human Capital Formation in the Informal Sector

One of the problems being faced by informal sector actors is the finance necessary to start and run their micro-businesses (NISER, 2013; 2014) and for training. In a bid to provide solution to the problem of micro-financing, the sector has developed her own financial 'experts' in the informal sector both on the supply and demand sides. This issue was the subject of

the investigation of Oladeji and Ogunrinola (1990) where they conducted an exploratory study into the informal savings habit and utilisation in the Western part of Nigeria. The study covered Oyo, Ogun, Ondo, Bendel (now Edo and Delta), and Lagos states. The study, and several others (Oladeji and Ogunrinola, 2001; Ogunrinola, 2011; Ogunrinola, et. al., 2005; Ogunrinola and Alege, 2007) have found that there is extensive network of savings and credit mobilisation among the informal sector in Nigeria, since their business formation and running are principally self-financed. Various forms of savings mobilisation techniques were found among the respondents and this ranged from fixed sum saving which was given out in rotation (termed Rotating Savings and Credit (ROSCAS) type), and the fixed term savings type. On the supply side were savings collectors who moved from one member to the other collecting the savings on agreed days of the week or on market days, for the fixed-term savings type. For the ROSCAS, all members met on the appointed savings/collection day to pool a certain fixed sum which was handed over to the agreed member. This was done regularly until everyone had collected his/her payout, and another round was started if the group wished to continue with the savings programme.

In our studies of informal savings and credit, it was found that the initial and working capital as well as funds for further business investments and/or training, were obtained principally from informal savings. Among others, the studies found that pay-out from savings were utilised by owners of informal businesses for three main purposes: Welfare Purpose, Consumption Purpose, and Business Development Purpose.

The largest percent however was usually devoted to business development purposes where the payout received was used for business expansion through acquisition of improved physical capital or for further job-related training. Thus, the informal sector had, through the savings mobilisation programme, made substantial amount of finance available for their micro-businesses without waiting for the government or any formal financial institution, who would, more often than not, turn them down for lack of acceptable collaterals for such credit facilities. Informal saving was therefore a welfare enhancing and business development programme for informal sector entrepreneurs, as research studies report positive capital growth for many of the enterprises (Ogunrinola, 1991; Akande and Akerele, 2008). This is equally true for thrift and cooperative societies (Campbell et.al, 2017).

Chancellor Sir, there are several other ways by which the informal sector enterprises have been of benefit to the Nigerian economy and before I end this address, I will briefly discuss some of them in the following sections.

5.4 Promoting the Growth and Development of Formal Sector

In the conventional Economics and Social Science literature on employment generation in the informal sector, the argument, more often than not, is that employment in the informal sector is a cul-de-sac rather than a ladder out of poverty because of its inherent negative characteristics. Some of the negative characteristics mentioned in the literature are: low level of

capital per enterprise, low labour productivity, informal firms pay very low wages, they serve mainly local rather than foreign markets, high attrition rate of enterprises are linked with firms in the informal sector, and so on (Rothenberg, et.al. 2016). Formal sector enterprises in economies where informal sector enterprises are dominant are said to be facing unfair competition from the informals whose average and marginal costs are unreasonably low as they do not pay taxes; and so on (Williams, 2017). Other negative views as summarised by Williams are: Loss of tax revenue to the governments, customers of informal sector enterprises are disadvantaged as they cannot take legal action against producers of sub-standard products leading to health-damaging or other deleterious effects. Moreover, workers in the informal enterprise are viewed as “necessity-driven”, rather than 'opportunity-driven' and thus lack the necessary access to capital, credit and financial resources necessary to run a profitable business venture.

However, these negative views of informal sector employment is changing due to developments in the economies of the world vis-a-vis the previous theories explaining the dynamics of the sector. For instance studies have shown that the informal sector is expanding in low income countries, contrary to, say, Lewis's (1954) proposition in particular and the modernisation theory in general that increasing modernisation was expected to lead to shrinkage in the sector's contribution to employment and national income. This is because informal employment became the new normal for those thrown out of formal sector employment as a result of structural adjustment policies in many developing nations. Young educated school leavers as well as

migrants from the rural and surrounding areas have found succour in either self-employment or apprenticeship opportunities in the informal sector rather than staying with the alternative option of remaining in open unemployment. Because of its recognised support for providing alternative income generation, research interest in the sector has burgeoned (Sethuraman, 1977; Mazundar, 1976; ILO, 1972, 2002, 2013; Ogunrinola, 1991, 2007, 2011; NISER, 2013, 2014).

In addition to the increased interest in the study of the informal sector (informal economy, by the new re-definition by the ILO) and the fact that the sector is an important and extended part of many developing and emerging economies, a renewed research interest has sprung up among development-focused social scientists. Sethuraman (1977) in his study of the informal sector in Africa reported that the sector provides work for some 60-70 per cent of all employed persons, many of whom were located near or in slum areas of the city. Many of them carry on their businesses in shacks, open spaces, uncompleted buildings; most of them have no access to water or electricity, and sadly, the authorities in many countries have applied a variety of restrictive policies to the sector (Ogunrinola, 2011; Olurinola, et.al. 2014). Using the language of Tom Peters, the informal sector in general is not only 'thriving in chaos' but growing. In his recent studies of the informal economy, Williams (2017) reports that the informal sector has been estimated as equivalent to 40-60 percent of Gross Domestic Product (GDP) of the economies of developing nations and providing up to 60 percent of the global workforce with employment. For those in the informal sector

employment, not less than 70 percent are self-employed (made up of 'employer' and 'own-account worker' categories) while, according to ILO (2002), in all developing regions, self-employment has been reported to comprise a greater share of informal employment (outside of agriculture) than wage employment and specifically, self-employment represents 70 percent of informal employment in Sub-Saharan Africa, 62 percent in North Africa, 60 per cent in Latin America, and 59 per cent in Asia. More importantly, the informal sector has been shown to be the seed-bed for many thriving and successful formal sector organisations. Many indigenous businesses in Nigeria, started as informal enterprises before formalisation. A typical example is Dangote Cement.

Table 10: Extent of Informal Employment
(As Percent of Non-Agric Employment)
in Selected Economies

Country	Year	Informal Empt. as Percent of Non-Agric Empt.
All Countries	-	59.8
Zambia	2008	76.3
Uganda	2010	73.5
Tanzania	2005/2006	66.7
Liberia	2010	60.3
Nigeria	2008	65

Source: ILO, 2012; Akande and Akerele, 2008

The table shows some data (for various years) on the prevalence of informal employment in total non -agricultural employment in some countries in Africa. None of the countries reported in Table 10 has less than 60% in non-agricultural informal

employment in the year shown against each of them. Zambia and Uganda take the lead with 76.3 percent and 73.5 percent respectively. A large informal sector shows that the formal sector is not generating enough employment for the labour force, and that is why the informal sector is filling the gap.

5.5 Percentage of formal businesses that started as informal enterprises before formal registration

The informal economy all over the world has been shown to represent a veritable seed-bed for formal business start-up and incubation prior to their graduation to formal status. Using data generated from the World Bank Enterprise Survey (WBES), Williams (2017) and Williams, et. al. (2017) have shown that 12 percent of formal private firms, globally, started as unregistered business enterprises and they so operated for almost a year (0.7 year) on the average, before formal incorporation. In Sub-Saharan Africa, 18 percent of firms started unregistered for an average period of about nine months (0.8 year) before becoming formally registered. In Latin America and the Caribbean, 13.7 percent of all firms were equally not registered on start-up and they remained so for over 14 months before registration.

A question that arises in the mind of anyone is the reason for formal sector businesses starting informally before finally applying for incorporation. A possible explanation is capital scarcity in developing nations coupled with the long bureaucratic process, delays and high cost of 'settling' corrupt

officials in the registration process. Early registration will also involve a lot of paper-work relating to filing returns and paying taxes which in most cases are relatively high for young businesses in a hostile macro-environment devoid of basic social infrastructure like constant power supply, water, access roads, among many others. In such a situation, the business starts informally, and gets registered later. Some may want to test the viability or otherwise of the new business before rushing into formal registration while some others may simply want to test out the idea, rather than wasting time filing papers at the state offices in charge of registration.

A study to test the impact of delayed registration as well as the length of the delay period on business performance (proxied by annual growth rates of sales, employment and labour productivity) was carried out by Williams et. al (2017) using an econometric technique. The result of the analysis showed that the delayed registration resulted in a significant boost to average annual growth rates of sales and employment. Moreover, a statistically significant positive relationship was found between the length of delay period and the rate of growth of sales and employment. In other words, starting a business informally was thus a means of saving cost and time which is re-invested into initial business growth and development (De Soto, 1989). In Nigeria for example, many of the businesses that are formal and are thriving started informally before they were later registered.

5.6 Proportion of Total Start-up Businesses that are Informal Enterprises

Another beneficial aspect of the informal sector to the general public is the acceleration of enterprise establishment and hence, the rapid creation of employment opportunities relative to the formal sector organisations. With the use of a series of dataset generated from the Global Entrepreneurship Monitor (GEM), Autio and Fu (2015) were able to measure the percentage of start-ups that are informal out of all new start-ups in selected regions and countries of the world.

TABLE 11:
Percentage of New businesses that Started as
Informal Enterprises before Incorporation

Selected Regions/Countries of the World	Percent of Business Start-ups that are informal
Asia Pacific countries	83.8
Latin American & Caribbean countries	91.2
African countries	98.0
OECD countries	59.0
Transition countries	62.6
Selected Countries	
Brazil	92.9
China	-
India	99.3
South Africa	85.5

Source: Adapted from Williams, 2017

India has over 99 percent of business start-ups that are informal and this is followed by Brazil among the three countries reported at the lower part of Table 11. Among the listed regions of the world in the table, African countries constitute the bulk of those nations, having businesses starting up and operating prior to registration, while this practice is lowest in OECD countries.

6. SUMMARY OF FINDINGS AND POLICY RECOMMENDATIONS

6.1 Summary of Findings:

The study of the informal economy is growing. More work is needed as the sector is vast and expanding, especially in the developing economies of the world. In the studies that my co-authors and I have executed, the following are the summary of some of our findings:

- (i) The informal sector has proved to be a major employer of labour, not only for those displaced in the formal sector, but also for some persons who recognised the opportunities that the sector offers and therefore get into the sector voluntarily to take advantage of its income and employment opportunities. These latter group are opportunity-driven rather than necessity-driven.
- (ii) Against the predictions of the probabilistic migration theory, the migrants' incentive to move from the traditional sector to the urban informal sector is not only the expected wage of the formal industrial sector, the other benefits arising from the income and employment opportunities available in the informal sector are also attractive. Some of such opportunities include skill

development through the apprenticeship system, possibility of owning an enterprise and becoming a master-craftsperson after training and the opportunity to make a career. Our studies found out that some of the migrants took advantage of such opportunities.

(iii) The studies discovered that not all the operators in the informal sector are living below the poverty line, but that the informal sector activities that require highly skilled labour generate income that is in some multiples of the national minimum wage, and such activities represent ladders out of poverty rather than being a dead end or a cul-de-sac.

(iv). Like the case of formal sector employment and employees, human capital variables like formal educational attainment, quality of training received (whether traditional apprenticeship, formal sector training, etc), labour market experience, level of commitment to informal sector activities, among others, affect the distribution of earnings.

(v). The importance of social networks among self-help groups in the informal sector was discovered and incorporated in an income distribution model of female micro-entrepreneurs in Nigeria, after an index to measure this variable was successfully created.

(vi). The impacts of informal savings as a method of domestic resource mobilisation for business start-up and expansion was examined and policy prescription to strengthen it was put forward.

(vii). Street trading was found to be both a coping mechanism

for fighting poverty on the one hand, and one of the means of generating start-up capital for trade/craft previously learnt on the other. For a good number of our respondents, street trading was a means for financial support in educational institutions, while those awaiting admissions to tertiary institutions use it to raise funds for self-sponsorship in schools whenever the admission is obtained.

(viii). For most actors in the Manufacturing as well as Technical services in the informal sector, evidence of personal and business growth was found, mainly among entrepreneurs that are educated, young and committed to informal sector engagements. Hopefully, as more educated young people are attracted to the sector, all things being equal, the sector's rate of transition from informality to formality will be expedited.

(ix) Apart from employment generation, the urban informal sector contributes to the development of informal sector entrepreneurial development.

(x) The informal sector enterprises were found to be handicapped in several areas. The Government, the International organisations, formal sector enterprises, the universities, research institutions and the local community/organisations should provide assistance in their respective capacities to assist the sector. Some of the problems the sector is facing are: (a) Lack of skilled and faithful manpower to run the enterprises (b) Lack of access to formal credit facilities/financial support, (c) Frequent harassments by local government officials and uniformed men; (d) Poor

infrastructural facilities particularly irregular power and water supply (e) Poor road networks that are usually flooded during rainy seasons, (e) Dearth of skilled and more importantly faithful, honest and God-fearing workers, and so on.

(xi) Dearth of consistent data collection and storage in an easily accessible way to facilitate research studies on the informal sector.

6.2 Policy Recommendations

What are the policy prescriptions that will assist the repositioning of the informal sector in Nigeria? The studies carried out have shown that there are three categories of operators (enterprises and workers) in the informal economy: Those that are doing well and above the poverty line, those that are just on or a little above the poverty line, and those that are in poverty. Each of these groups need policy actions that will improve their position in the informal economy. The formal sector, too, should be programmed for employment generation and growth to reduce the current high rate of unemployment. All macroeconomic and microeconomic strategies should be put in place to ensure the achievement of Goal 8 of the Sustainable Development Goals (SDG) programme. The goal is to promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

To achieve national growth accompanied with decent employment growth in both the formal and especially informal

sector, the following constraints should be tackled.

- (i) Manpower-related issues: Low level of Education/Skills, dishonesty and stealing, and low achievement orientation, among others, and
- (ii) Finance-related issues: Poor access to formal finance, inability/refusal to keep accounting record, lack of separation of the enterprise from the owner when it comes to financial issue, etc;
- (iii) Lack of mutual trust between the enterprise owners and the Government; and
- (iv) Poor infrastructural facilities.

6.2.1 Frameworks for Informal Sector Development

Like a pink elephant in the room, the informal sector is too big to miss and perhaps too big to confront. The informal sector is big in size and has the potential to increase employment and output phenomenally if properly nurtured. But as researchers, policy makers and practitioners, we must be bold enough to take the bull by the horn and tackle the problems facing the sector. For now, there appears to be a breakdown of mutual trust and confidence between the Government and informal sector actors (ISA), and unless this confidence gap is bridged, informal sector development will be a mirage. When the Government makes it a duty to befriend and woo the ISAs, then the sector will respond with the generation of decent employment, quality output and robust tax revenues.

Therefore, the government should re-orientate all her agents responsible for working with the ISA to adopt a friendly approach rather than the prevailing hostile one. This should be followed by the diligent provisions of basic services required to make them grow. The following policy approaches will help:

6.2.2. The role of Government:

(I) There should be a strong commitment of the Government to the vision and strategic objectives of the Economic and Recovery Growth Plan (ERGP) for the economy, which are as follows:

(i) Restore Growth: This is expected to be achieved mainly through a focus on achieving macroeconomic stability and economic diversification. Policy focus is expected to be on the key sectors driving and enabling economic growth with particular focus on agriculture, energy and MSME-led growth in industry, manufacturing and key services.

(ii). Investment in people - This is crucial for the upgrading of skills of ISA and others. In addition to technical and communication skills, the issue of ethical behaviour and integrity in the workplace is crucial. Many MSME have gone under because of workers' dishonesty and stealing. This is a very serious problem affecting the MSME that do not have the financial capacity to put strong security devices in place. The objective of investing in people has three targets: a) Social Inclusion, (b) Job creation and youth empowerment and (c) Improved human capital.

(iii). Improving the business environment: ERGP

intends to build on the efforts of the Presidential Enabling Business Environment Council (PEBEC) to improve on the Doing Business Report ranking to the top 100 by 2020 from the current ranking of 169. (It is worrisome that there is no mention of improving the ranking of the Corruption Index here!)

II. The Government should midwife an atmosphere of friendly relationship between ISAs and the institutions set up to deliver supports to MSME in Nigeria. There should be a performance monitoring index for each of the relevant Ministries, Department and Agencies (MDAs) responsible for the development of MSMEs.

6.2.3 The Role of Universities and Research Institutions:

The second strategic vision of ERGP talks about people development. This is where the educational institutions should be involved in the repositioning of the informal sector.

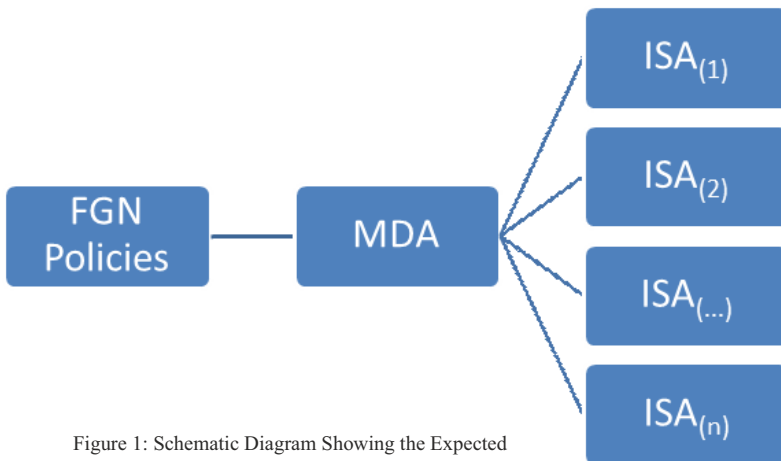


Figure 1: Schematic Diagram Showing the Expected Relationship between the MDAs and the Informal Sector Actors.

This is not a new thing to many universities as some of them must have had some mutually beneficial relationship with the industrial sector and/or ISA. Each University, Polytechnic and Research Centre should reach out to willing ISA for assistance, first with respect to skills development and later, (if the relationship, the ensuing process and products justify the continuation of the partnership), to market and source of finance. Chancellor Sir, permit me to tell this august gathering what Covenant University has been doing and how she can play further roles in the repositioning of the informal sector. Covenant University has been in the forefront of University education under the 'Departure' philosophy. In her Vision to be a leading World-Class University, Covenant University has been committed, since inception, to research funding and community development which has been very impactful. A lot of research studies have been funded, including the Informal Sector Research Cluster's studies on Street Trading in Nigeria as well as the Breast and Cervical Cancer Research. Also, the Community Impact Initiative of the University has provided basic social amenities like boreholes to supply potable water, computers to secondary schools and drugs to medical centres, thereby improving the welfare level of such communities that were neglected by the Government in the development process. Many of the members of these communities operate in the informal economy.

Another initiative of Covenant University is the Town-Gown

seminar series. This was designed to bridge the yawning gap between the University and the local community, especially the world of work where our students will be interacting after graduation. Repositioning the informal sector through centres of academic excellence, like Covenant University could come in form of a modified version of the combined functions of Town-Gown programme with that of Community Impact Initiatives which I have called CU-MESPA (Covenant University-Microenterprise Strategic Partnership Programme). This can be anchored by the University's Centre for Entrepreneurial Development Studies (CEDS) or any other relevant unit. The CU-MESPA is expected to forge a strategic and structured partnership between the University and an informal sector actor or actors. The proposed CU-MESPA framework is as illustrated in the schema below.

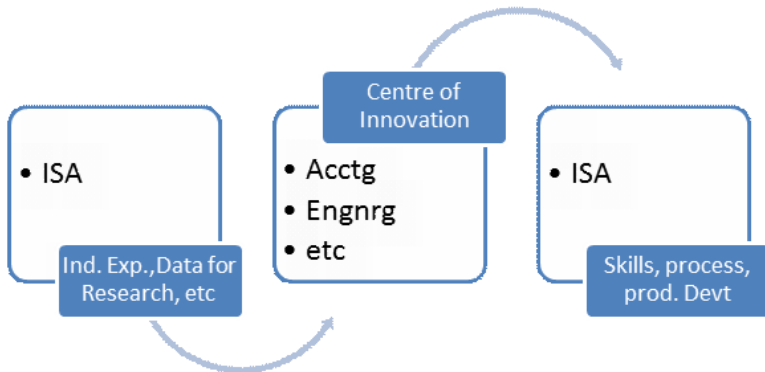


Figure 2: The Proposed CU-MESPA Framework for Micro-Enterprise Development

The process starts when the University locates the Informal sector actor or a social enterprise she wants to partner with and an MOU drawn and signed. The University's main mandate is to strike an agreement with the ISA concerned on any areas of need with respect to skills development and/or innovation.

Volunteering members of faculty and/or students will help to upgrade the skill of the members of staff of the enterprise through periodic visits by the University's representative. The interaction between the University and the enterprise is an experiment in the upgrade of the skills, process, product, finance and market innovation towards the improvement of MSME or a social sector service provider.

This strategic and structured partnership is expected to be a mutually benefitting arrangement leading to a win-win relationship. The ISA receives trainings in skill and/or product development while the University benefits by the exposure of her students to the needed industrial experience that will further enhance employability. For faculty, rich enterprise-based data are made available for research while exposure to practical situation enhances teaching quality.

7. CONCLUDING REMARKS

Chancellor Sir, I think it is appropriate to end this lecture with the question raised by the title of this paper: Is the Informal sector a ladder out of poverty or cul-de-sac? The answer is neither a straight Yes or No. It depends. However, we have seen that for many of the informal sector workers who are in the Own-Account, Employer and Employee categories, their reported earnings are a multiple of the national minimum wage. The earnings vary directly with the level of, and quality of skills, formal educational attainment and on the job experience. Policy measures that will encourage these enterprises to be

incorporated and thus link them up with the formal financial sources and markets together with the expected improvement in the macro-environment will further enhance the ability of the informal sector as a ladder out of poverty.

Furthermore, the commitment of the Government to the implementation of the national agenda for economic recovery and growth as articulated in the ERGP document together with the active strategic support of the educational and research institutions, among others, will assist in the process of transition of ISAs from the informal status to formality.

8. APPRECIATION AND ACKNOWLEDGEMENTS

I appreciate the Almighty God, the creator of heaven and the earth Who, in His infinite mercies has given me the gift of salvation through the blood of Jesus Christ, without which I would have been nowhere today. That glorious day at the age of eighteen years when I surrendered my life to the Lordship of Jesus Christ, joy unspeakable flooded my heart, and His Word and Holy Spirit has kept me since then.

Also, I sincerely appreciate the Chancellor, Covenant University, Dr. David Oyedepo whose obedience to the Divine Mandate to establish Covenant University made it possible for me and all students, staff and faculty to be here. More importantly, I appreciate him for the sound Biblical teachings through the stable of Living Faith Church and the University

Fellowship that has always watered my spiritual life and that of my family members. I pray that the Almighty God will continue to grant him divine strength, vigour and divine illumination to continue the good works that have been committed to him.

I appreciate those that God has sent my way to guide me in my academic journey in life. Special appreciation goes to my M.Sc and Ph.D supervisor Professor A. O. Olaloye as well as those who have mentored me till now. In this category is Prof. S.I. Oladeji and Prof. T.O. Fadayomi. Also important to my academic career are Prof. J. Fabayo, the no-nonsense Professor who taught me the rudiments of Mathematics for Economists and Microeconomic theory . He really taught me well and I sincerely appreciate him. Prof. A.A. Adebayo, Prof. P. Olomola, Prof. E. Akinlo, Prof. (Mrs.) Soetan and all the senior faculty in the Department of Economics of Obafemi Awolowo University, Ile-Ife are hereby appreciated for the great roles they have played in my academic and personal development.

I also wish to thank my mentor, my former boss and a father-figure, Mr. T.O. Ayeni who taught me the rudiments of Management and gave me the necessary hands-on experience in HR when he was my Director in the defunct Dunlop Nigeria Plc. The training programmes he recommended for me at the Lagos Business School (The Advanced Management Programme, Class of SMP-6) has been helping me till date in my academic

and administrative assignments in Covenant University.

My appreciation also goes to the Vice-Chancellor of Covenant University, Prof. A.A.A. Atayero; the Deputy Vice-Chancellor, Prof. Shalom Chinedu; the Registrar, Dr. Olumuyiwa Oludayo and other members of Covenant University Management. I cannot forget the inputs of the two past Vice-Chancellors and their Deputies - Prof. Aize Obayan, Prof. C. K. Ayo, Prof. Charles Ogbulogo and Prof. Taiwo Abioye - in my career development. Thank you very much. My special appreciation goes to the Dean of my College and my friend, Prof. P. O. Alege and all the other Professors in the Department. I appreciate Dr. M. Bolarinwa for assisting me with relevant materials and for reading through the drafts several times; Dr. Bowale for constantly finding out on my progress on the work. Dr. H. Okodua, Dr. (Mrs.) Matthew, Dr. Stephen Oluwatobi, Dr. John Odebiyi, Dr. Yemi Ogundipe, Mrs. Ngozi Adeleye, Mrs. Tomi Ogundipe and Mr. Ife Ogunrinola played different positive roles. I appreciate you all. My special thanks and regards are hereby expressed to all other faculty, staff and students of the Department of Economics and Development Studies. My research team members in the Street Trading Research - Dr. E. Amoo and Dr. (Mrs.) Ola-David- I sincerely thank you for the wonderful relationship we have had. All the members of the Informal Sector research are highly appreciated.

I sincerely thank my Head of Department, Dr. Evans

Osabuohien, for everything. He is simply a wonderful leader.

I must appreciate the entire Gospel Faith Mission International (GOFAMINT) where God has been nourishing me with spiritual food since 1977 when God led me to the church in Oshogbo. I thank the General Overseer, Pastor (Dr.) E.O. Abina and the Deputy General Overseer, Pastor (Dr.) Oluwayemi. and all the Executive Council members of the Church for the way God is leading them to pilot the ship of GOFAMINT. I appreciate the EXCO for giving me the opportunity to serve as a rotational member for the period 2014 to 2016. I also appreciate my District Pastor, Sango-Ota District, Pastor Philip Akinola for his constant support and prayers.

For all the members of my extended family, I sincerely appreciate you all.

Last but not the least, I thank my beloved wife Mrs. Olubunmi Olurinola, my best friend, my prophetess, prayer partner and co-labourer in the vineyard of God. I appreciate the wonderful children God has given us: Tolulope, Ifeoluwa, Iyanuoluwa and Grace Ayooluwa. I appreciate you all.

All the Kings and Queens in Hebron, I thank you for coming. God will give you good success in your careers in Jesus name. For every other member of this great gathering that has created time to attend this inaugural lecture, I thank you so sincerely and wish you all the very best in life. I pray for God's guidance as

you return to your respective stations in Jesus' name.

MY CASE IS DIFFERENT!

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*To God
Be
The Glory*

