

THE PLACE OF INFORMAL SECTOR IN URBAN EMPLOYMENT IN NIGERIA

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ABSTRACT

The informal sector accounts for about 60- 80% of urban employment in Nigeria and in other parts of the world. It encompasses a wide range of gainful economic activities. In Nigeria, Government has aided the development of informal sector through the establishment of the National Directorate of Employment (NDE). This paper suggests that emphasis should be placed on skill acquisition rather than on formal education.

Wide range of activities this sector encompasses. This results in the under estimation of the size and economic contribution of this sector.

Over the past two decades, employment in the informal sector has risen rapidly in many countries. For instance, Indonesia and South Korea have experience a decline in formal wage employment and a concomitant rise in informal employment (WIEGO,2000).

Introduction:

The informal sector accounts for a substantial and increasing share of the urban employment in most developing counties of the world.

The meaning of the term “informal sector” has remained elusive despite the voluminous literature and research. However, in 1992, an international definition of the “informal sector” was adopted. It includes those work in small unregistered enterprises, both employers and employees, as well as self- employed persons who work in their or family businesses (WIEGO,2000). Accurate statistics on the informal sector do not exist because of the diversity and

In Africa, estimates have shown that the informal sector is responsible for about 93% of new jobs and 61% of urban employment (Charmes, 2000). Barwa (1995) also observed that much of the growth in urban labour force is currently being absorbed in the informal sector. He stated that two third or more of urban employment in sub-Saharan countries is in the informal sector.

This paper examines the informal sector and its place in urban employment with particular emphasis on Nigeria.

THE INFORMAL SECTOR

The informal sector is heterogeneous in terms of actors, activities and scale. Actors in this sector include those who own businesses with few hired workers, waged workers and apprentices.

Activities in this sector range from building construction, handcrafts, repairs services, metal fabrication, wood processing, textile/ leather works, food processing and trading to manufacturing and transport. The scale ranges from micro enterprises to large scale enterprises.

Participant in the informal sector is influenced by some of the reasons stated below;

- Labour market flexibility – Most women prefer the informal sector because it offers flexibility in participation e.g they could combine household responsibility with income earning opportunities by choosing responsibilities by choosing their hours and place of work as well as the activities.
- Existence of profitable: People enter this sector because there are profitable opportunities to be explored.
- Non-compliance with unregistered: Many units often choose to be small and remain unregistered or unlicensed or invisible and thus get mislabeled into informal sector so that they can avoid compliance with some or all regulations, since compliance with them generally add to cost burden (Sethuraman, 1997)

FEATURES OF THE INFORMAL SECTOR

- A majority of those operating these units possess low educational qualification and many are illiterates.
- Some of the units possess little capital by way of investments
- Few operators have adequate premises, if they possess one at all and many lack minimum infrastructure (Sethuraman, 1997).

- Only a third (or less) engage paid workers.
- Two third (or more) of these units are owned and operated by individual as own account businesses or as family enterprises.

Research on the informal sector reveals that some units in the sector operate on a sub- contracting basis for other firms (or individuals) voluntarily or involuntarily. In some cases, this is because informal operators prefer to avoid taking managerial decision and / or assuming entrepreneurial functions like taking risk.

The scope of the informal sector covers only the gainful economic activities on a sub- contracting basis for other firms (or individuals) voluntary or involuntary. In some areas, this is because informal operators prefer to avoid taking managerial decision and/ or assuming entrepreneurial functions like taking risks.

The scope of the informal sector only covers the gainful economic activities that are considered socially desirable activities which most societies are anti- social (Sethuraman, 1997).

THE INFORMAL SECTOR AND URBAN EMPLOYMENT IN NIGERIA

Accurate statistics do not exist on the size of the informal sector in Nigeria. It can however be deduced from observations that the informal sector accounts for about 50% of urban employment in Nigeria.

The Federal Military Government as one of the strategies for tackling mass unemployment set up the National Directorate of Employment (NDE) in November 1986. The NDE scheme is oriented towards assisting school leavers and especially university graduates to be self employed by learning a trade and acquiring marketable technical skills in demand in the economy (Umar, 1992).

- The National open apprenticeship, one of the scheme under the programme is aimed at providing unemployed youths with basic skills. This is achieved by attaching them to professional craftsmen for a certain period. At the time of the training, these youths become self- employed.
- The waste to wealth scheme: The programme is created to encourage the conversion of neglected raw materials into useful, marketable products (Umar 1992). This scheme provides employment opportunities to those concerned.
- Small scale industries and Graduate Employment programme: This programme is designed to encourage unemployed Nigerians to set up and manage their own businesses. Loans are made available to participants for the establishment of their business.

- Employment opportunities in the Nigerian informal sector include shoe making, repair services, metal fabrication, food processing, trading, handicrafts, building construction, tailoring etc.
- In Nigerian Urban areas, agriculture provides little employment. Vegetation and other farm produce are grown for sale in the markets.
- The informal sector accommodates the rich and the poor, the educated and the illiterate and even the physically challenged.\

SUMMARY AND CONCLUSION

This paper examines the informal sector and its place in urban employment with emphasis on Nigeria.

Urban areas in Nigeria area witnessing an influx of people from the rural areas. Most of the labour force is absorbed in the informal sector. Individuals make job creation in the informal sector possible through the mobilization of resources. Employment in the informal sector gives employees the opportunity of improving their capabilities by acquiring skills on the job. The sector is open to all who are willing to participate in it (trained or untrained). Displaced formal sector workers also seek refuge in the informal sector. Capital investment required to create a job in the informal sector is only a small fraction of what is needed in the formal sector.

The contribution of informal sector in urban employment in Nigeria is quite large. The informal sector has shown a considerable capacity to absorb and gain large numbers of young men and women. The erstwhile educational policy placed undue emphasis on the formal sector without regards to the acquisition of skills and so many youths thought themselves too good for the job. Emphasis needs to be shifted from the formal sector to the informal sector to address the rate of unemployment in Nigeria.

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