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## **Exclusive Indoor Informal Activities in Africa: Community Economic Development at Grassroots without Land Use Planning?**

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### **Abstract**

*The study examined the economic and environ-spatial activities of exclusive indoor informal sector (EIIS) workers in Africa, citing Lagos as a case study. It randomly sampled 04% of the residential buildings in the study area and showed that nearly all (91%) the respondents captured in the sample earned about three Dollars per day without any public means of advertisement, and evaded tax (96%). Most of them used open spaces and setbacks within buildings for business activities, creating circulation disturbance within premises (47%) and generating solid and semi-liquid wastes (30%) and air pollution (26%) within residences. There existed positive relationship of 0.502 between customers' level of patronage and profit realised by these respondents, indicating that EIIS attracted high patronage of customers to the sampled residential houses. Implicitly, about half (49%) of the occupants of the sampled houses (inhabited by more than a tenant) would be trading off their privacies to the visiting customers of co-tenants who were into EIIS. The study noted that the environ-spatial and social effects of EIIS activities on residents cannot be traded for the profits made by these workers, hence, advocated for a balance through intervention of land use planners and policy makers.*

**Key Words:** Informal Sector, Exclusive Indoor Informal Activities, Urban Planners, Pollution, and Residential Area

### **Introduction**

The economic well being of a country is a function of the percentage of its population employed in gainful jobs (Tokman, 1977; Nurulamin, 1996; Carr & Chen, 2002). This in turn reflects in the physical development of the environment. To some analysts in the 70s, formal sector of the economy was the only yardstick of measuring productivity and development. The Latin American scholars' early writings reflect this (Quijano, 1974.; Senghaas-Knoblock, 1977; Rakowski, 1994).

These scholars argued that informal sector is the ultimate manifestation of underdevelopment resulting from backwardness of people, overpopulation, market failure, unemployment and underemployment (Hernande de Soto, 1990; Rakowski, 1994). Scholars in this school of thought (formal sector of the economy) believe that any non-public sector is not formal (non-formal), not controlled by the government (non-plan, hidden, unofficial, unrecorded), black (shadowed), not taxable (unrecorded, parallel) and so, not legal (illegal). In other words, the old image of informal sector was that of street-peddling activities (Bhowmik, 2006), undertook in squatter settlements, creating urban slum and environmental pollution (Okeke, 2000). It was also perceived to constituting problems for government and confusing economic planners and must not be permitted to exist (Adeyinka, Olawuni, Omisore & Abegunde, 2006).

Informal sector in the 21<sup>st</sup> century has evolved with new terms in the field of social and environmental sciences. Earlier in the theory of comparative advantage, it was argued that surplus labour could be seen as opportunity, as utilized in China (Lewis, 1954). At present, informal sector is seen as a boom to the economy where formal trade has failed the market and is a last resort to gifted job seekers who could not be fixed into formal employment (International Labour Organisation, 2001; Hart, 1973; Sethuraman, 1981). It is recognized as the alternative to productivity where formal means seems to drag and intends to ground the economy (Lam, 1981; Amin and Nurul, 1992).

Other important reasons behind the birth of informal activities in developing nations are financial crises, structural adjustment programmes, and the failure of the public sector to provide the necessary jobs to absorb their increasing labour force. In these countries, informal sectors have led to expansion of and

rapid creation of jobs for the teeming populations (Charmes, 1996). Contributions of informal activities in modern days have attracted scholars to comment on their contributions to local economy (Amin, 1982), national economic growth and development and global trade (Mills, 1991; Abegunde, 2006). Despite these contributions, they face resistance from the authority and are less incorporated into national physical and economic development plans (Scheinkman and de Paula, 2006). These make them to be hidden in operations, tax evading, disjointedly distributed within urban space and negatively impacting the human environment wherever they are found (Stanculescu and Ilie, 2001).

This study is an attempt to establish a balance between the above mentioned two schools of thought. In another dimension, there is the need to conduct a current research into the activities of informal sectors and their physical planning effects on residents in a metropolitan city within a developing country. This could be why Tawney (2004) and Harper (1996) argue that urban planners must recognize the existence and importance of informal businesses, and some general strategies for facilitating their existence and at the same time reconciling this with other conflicting interests.

Available literature showed that much has been done on 'visible' informal sector activities in urban space (Amin, 1982; ILO, 1972; International Bank for Reconstruction and Development, 1989; Hermando de Soto, 1990; Mills, 1991; Amin, 1994; Pealtie, 1996; Nurulamin, 1996; Okeke, 2000; Adeyinka, 2006; Abegunde, 2006). This study is expected to provide an insight into indoor informal activities among residents in a developing economy and their physical planning implications in Lagos State, Nigeria.

### **The Concept of Informal Sector**

Informal sector composes of small scale enterprises with income generating activities that are not bound by, or do not live up to formal contractual rules that are recognized in a given society (Kavuluvulu, 1990). Sethuraman (1976) refers to the informal urban sector enterprise as firms employing ten or less full - time workers with the exception of the liberal professions. It includes a wide range of activities from household to personal services and from commercial to non - commercial services, involving firms and individuals (Scheinkman and de Paula, 2006; Stanculescu and Ilie, 2001). According to Adeyinka, *et al* (2006), it is the section of the economy that lacks governmental regulation or institutions but provides job security and benefits.

The informality of the activities is characterized by ease of entry and exit, minimal start up costs, reliance on makeshift facilities, indigenous resources and adapted technology. Informal sector workers also rely on family labour and acquire skills outside the formal education system (Kavuluvulu, 1990). They produce goods for both local and international markets (ILO, 1972; International Conference of Labour Statisticians (ICLS), 1993; Grootaert, 1992; Charmes, 1996; Rempels, 1996 and Kehler, 2001). This make them to be highly heterogeneous, encompassing production units of different features and in a wide range of economic activities (Scheinkman and de Paula, 2006; Stanculescu and Ilie, 2001). Significant in these views is that this sector occupies an important aspect of the economies of developing countries and depends on small scale individual entrepreneurship (Munbodh, 2006), almost always without the benefit of and attracts less or no official support or services.

The concept of informal sector was first coined out by the international labour office (ILO) in its study of employment in Kenya (ILO, 1972; Pealtie, 1996). This was immediately used in Latin America and Caribbean. Among those issues that aroused interest of scholars on this is its positive role in the economies of lagging regions of the world. Tokman (1977), studying on the topic found that informal sector workers anywhere constituted from 30.3% (Brazil) to 57% (Parague) of the economically active population in various Latin American countries as of 1970. By classifications, works by past researchers on this study can be categorised into two schools of thought.

The first school is what Rogerson (1996), called ‘survivalist enterprises.’ By this, he refers to a set of activities undertaken by people who are unable to secure a regular wage employment or access to an economic sector of their choices (Lewis, 1954; Economic Commission for Latin America 1965; Frank, 1972). Generally speaking, the income generated from these activities, the majority of which tends to be run by women (Kehler, 2001), usually falls short of a minimum standard of income ((Harris and Todaro, 1970; Bromley, 1994; Peatie, 1996; Scheinkman and de Paula, 2006). According to this school of thought, poverty and a desperate attempt to survive are the prime defining features of those entrepreneurs who are into informal activities.

A new assessment of the nature of informal activities came into limelight in the early 80s (Rakowski, 1994; Moser, 1984). This new school of thought explains the position of informal sector activities in relation to state and the role it plays in its development (Beneria and Roldan, 1987). Scholars in this

school of thought argue that informal sector provides income earning opportunities to the disadvantaged and combines poverty alleviation and social reform with economic development via small enterprises. Of interest is the solace it grants to the unemployed in prime working-age group and engages retrenched workers who cannot gain access to the formal sector (FS) for a variety of reasons (Ramanathan, 1996).

Despite these advantages, informal sector faces resistance from formal employment and lacks government's support in many third world nations (Hernando, 1990). This is why Bromley (1994) classifies it as comprising struggling entrepreneurs who are prevented from being successful, not by their own lack of inabilities, but by the impediments put in their ways by state policy. This does not mean that the sector is void of its own demerits. The illegal presence of informal activities on road sides, pedestrian ways, and other residential areas creates serious management as well as environmental problems (WinklerPrins and Antoinette, 2005). The existence of informal sector within urban space and its operations in human environment are expected to have direct effect on land use planning and residential development. These pose challenges to urban space planners who are interested in roles played by every urban activity on national socio economic and physical development. This is the concern of this study.

### **Informal Activities and Formal Planning in Urban Space**

Informal activities are integral parts of urban environment (Sethuraman, 1976). They occupy about 50% of the urban economic engagements in Africa (Carr and Chen, 2002). Nearly 65% of the populations of the developing nations were directly engaged or indirectly benefiting from them in the 1990s (Mills, 1991; Vandemoortele, 1991; Rempel, 1996). In other words, they are ubiquitous in human environment, particularly in third world nations.

Poor recognition of informal sector workers in the society has resulted into their uncoordinated activities. As informal sector workers face harassments from government and victimisation by formal sector, the tendency is for them to go hidden. This has made many of them to be cited outside commercial zones, operating within residential environment, and some times, indoor. Some of them also choose to carry out their engagements at odd hours of the day and nights when law enforcement agents are out of duty to apprehend them.

The incompatibility of some of their activities with residential land use does generate environmental effects, negatively affecting residents. The

implication of this is that urban planners face the problem of identifying the entire informal sector establishments that operate in the society. This creates problems to planners in incorporating them into the necessary structural or development plan (Keeble, 1972; Burke, 1975).

### **Needs Theory within Urban Space**

Needs Theory (NT) within urban space as used in this study was coined from the works of Maslow (1943), Galtung (1964), Keeton (1984), Burton (1987, 1990, 1991) and Cunningham (1998). This theory, first mentioned by Maslow (1943), was fully developed in 1960s but popularised in the 1970s and 1980s as a generic or holistic theory of human behaviour (Cunningham, 1998). Of significance in NT is that human being will rationally responds to positive situations but under unavoidable pressure, use his psychology to overcome situations. In another dimension, Galtung's (1964) opines that human beings have basic needs that have to be met either peacefully or by logical means in order to maintain satisfactory living and stable societies. According to Galtung (1964), meeting easily acquired need can be by negotiation.

The choice of some residents to practice exclusive indoor informal sector activities to cope with economic challenges while evading state interventions has made this theory to be relevant to this study. This could be why Keeton (1984) argues that the poor record of conventional development theories (trusted by the state) in reducing poverty in developing countries may result from the neglect of certain preconditions that are necessary before the people of a developing country are receptive to conventional economic stimuli. This according to Burton (1991) is necessary to ensure the satisfaction of basic needs of the poor. According to Cunningham (1998), these needs cannot be curbed, they are primordial. In the community where these needs are not met, aggression develops and subsequently produces hidden operations and breaking of laws and order.

Needs therefore is universal and not just cultural. Maslow, (1962), Reshon (1974) and Davies (1963) all recognised these and opined that the drive to fulfill needs does not cease until they are met. This means that frustration and denial of basic human needs cannot be suppressed irrespective of obstacles (Burton, 1987; 1990). In relation to this study, exclusive indoor informal sector activities emerge to meet essential economic needs within urban space, not minding the environ-social effects of this on the residents.

### **Method of Study**

The study stratified all the 20 recognized local government areas of Lagos State into eight (8) zones that serve as main regions in the state (Nigeria Population Commission, 2006). A local government centre was systematically selected from each of these zones. These include Agege, Oshodi-isolo, Eti-Osa, Ikeja, Ajeromi-Ifelodun, Apapa, Lagos Mainland and Lagos Island Local Government Areas. Literature shows that there are ninety nine (99) residential neighbourhoods in these selected eight (8) local government areas. The study systematically sampled 33 (33%) out of these residential neighbourhoods. Having noted that most of these neighbourhoods were about 400 housing units, it selected eight (08) (04%) housing units within each neighbourhood for questionnaires administration. These made a total of 264 houses selected for questionnaire administration in the study area.

A reconnaissance survey was conducted on each sampled house before questionnaire administration. This provided clue to which of the sampled houses was hosting exclusive indoor informal sector activity and who to approach as exclusive indoor informal sector worker in each house. It also provided opportunity to assure the respondents of confidentiality of information to be supplied. The reconnaissance survey conducted revealed that 20.5% (54) out of the 264 sampled houses in Lagos lacked indoor informal sector workers that carried out their private informal business activities within the selected residence. This research was based on the 210 houses that housed indoor informal sector activities in the selected 264 houses. The targeted respondents were the entrepreneurs involved in such exclusive indoor informal activities and who do not have any form of open publicity for their businesses. Data collected were coded into statistical package for Social sciences (SPSS, Version 16). Processing of data was through the use of descriptive and quantitative methods of analyses. These include frequency tables, linear regression and correlation coefficient. Linear regression was used to determine the relationship existing between customers' travel distance and number of patronage per week while Spearman rank correlation was used to test the significance of the association existing between profits realized by exclusive indoor informal sector workers and customers' weekly patronage in the study area.

### **Findings and Discussion**

Appendix 1 shows that male respondents accounted for 73.8% of the total. Similarly, about 71.4% of the exclusive informal sector workers (EIIISW) in

Lagos State fell within age group 41 to 50 years. The rest 38.6% were below 41 years of age. This perhaps could be why married respondents in appendix 1 account for over two third (67.6%) of the total respondents while 11.9% were single. Only 20.5% of the total respondents had separated from their partners. These findings contradict the work of Charmes (1996) who claims that informal sector in developing nations is dominated by women. By implication, planning for indoor informal sector workers in Nigeria requires more consideration for married men.

Further enquiries into the socio-economic characteristics of the EIISW as seen in Appendix 1 revealed that more than half of them were Christians by religion (56.7%) and had obtained secondary school leaving certificate (57.6%) respectively. In addition, 57.7% and 16.7% of them had been in the indoor informal sector practice before 1980, and between 1980 and 1986 respectively. About one out of ten (9.6%) of them started theirs after year 2000 while 6.2% of them began their enterprise within year 1997 and 2000. The rest 11.9% of the respondents started their businesses within 1987 and 1996. This shows that most of the respondents had been in the informal sector activities for more than two and half decades before the time of this study.

Findings also revealed that 78% and 84.3% of the EIISW in Lagos State did not have apprentices and employees respectively, an indication that most of them were into sole proprietorship. Information on how their customers got wind of the activities of these EIISW revealed that most (76.2%) of the respondents acknowledged that their initial customers informed others of their business activities. Eleven percent and 6.2% of the respondents indicated that their friends and neighbours brought customers who patronised their businesses to them. About five percent (5%) indicated that customers came without their efforts but possibly by hearsay from other people they could not acknowledge. The rest 1.9% were not specific on how they got customers.

Along this line, almost (92.9%) all the respondents did not have business complementary cards. None indicated to have gone on media adverts or attempted to erect signpost in the past to advertise their businesses, although 58.6% of them belonged to their informal sector business associations while the rest 41.4% did not belong to any business association. This indicates that the activities of these indoor informal sector workers were not open to the general public, and by implication unknown to the government authorities.

Perhaps, this could be why almost (92.4%) of the respondents acknowledged that they used hidden open spaces within buildings and set-backs within their fenced premises to carry out their activities while about 7% used their personal bedrooms. Along this line, they (96.2%) also indicated not to be paying tax on their businesses.

Linear regression was used to determine the relationship existing between customers' travel distance and number of patronage per week. A figure of 0.196 was obtained, as seen in Appendix 2. This indicates that the influence of distance on the number of customers patronising these informal sector workers though positive, is very weak. In another dimension, distance seems not to have significant effect on the demand for the goods and services offered by exclusive indoor informal sector workers in the study area. This is because linear regression is reliable at 0.5 to 1.0 level of significance. Relationships above 0.5 either positive or negative are seen as very significant and those below it are counted weak. The lower or higher that the result of a test is to 0.5 determines its weakness or reliability respectively. The weak relationship of 0.196 obtained here showed that customers from close distances did patronise goods and services offered by these exclusive indoor informal workers, but did not really affect level of patronage.

Findings revealed in Appendix 1 that more than two third (65.2%) of EIIISW in Lagos State made an average profit of #14, 500 per month while 22.9% of them did realise #28, 500 per month. Only 8.6% of the total made an average monthly profit of #7, 500. One percent of the total respondents indicated to be realising about #52, 500 monthly while the rest 2.4% of the respondents made an average monthly profit of #45, 500. The import of this is that over two third of the respondents earned above #14,000 monthly (equivalent of 3 dollars per day) from their business activities. This provided opportunities to these workers to live above poverty line of one Dollar per day (equivalent of #3, 900 per month) (Bwalya *et al*, 2004). This is despite the fact that about half (49.5%) and one third (30.0%) of them were employees of other establishments and pensioners within the study area respectively. This is an indication that indoor informal activities provide additional income opportunities to residents in urban areas of Lagos State. This agrees with the view of Ramanathan (1996) that Informal sector provides income opportunities to pensioners in developing nations.

In Appendix 3, the amount of money realised monthly as profit was also tested against number of customers' patronizing each of the informal sector

workers, using Spearman's rank correlation. The study revealed that there existed positive relationship of 0.502. This shows that the relationship is significant. This means that as level of patronage increased in each of these exclusive indoor informal activities, benefits accrued in term of profit realised by workers increased as at the time of this study.

Significant among the negative impacts of EIIA are smokes (10%) and lack of free circulation for co-tenants or other household members within the premises (59.4%) during production of these indoor informal sectors. This agrees with the work of Alastair (2006) that informal activities contributed to urban pollution in human society, and by implication requires planning intervention.

### **Conclusion and Recommendations**

The study has examined the activities of informal sector that were exclusively indoor in operation in Lagos State using primary data systematically collected from 210 respondents out of the sampled 264 houses selected for questionnaire administration. The study showed that only 20% of the selected houses in Lagos State had no indoor informal sector workers as residents. Male and married indoor informal sector workers dominated the respondents. Averagely, most of them earned at least equivalent of three Dollars per day and had customers from both far and near distances within Lagos State. The study revealed that there existed positive relationship of 0.502 between customers' level of patronage and profit realised by these respondents. Research further showed that most of them used open spaces within buildings or setbacks within their fenced residential compounds to carry out their businesses thus affecting free circulation within premises.

The study observed that average daily profit of three Dollars per day made by these indoor informal workers placed them far above poverty line in a developing economy like that of Nigeria. It advocates for the accommodation of exclusive indoor informal sector within urban space, though with caution. It advises government to encourage easy registration of these indoor informal activities by making their registration tax-free for some number of years. Indoor informal sector activities that generate sensitive negative environmental effects (like smokes and noise) on neighbours should be relocated to commercial/industrial centres that are not too far from residence.

There is the need to form a committee comprising representatives from both government agencies and indoor informal sector in Lagos State. Representative from government should be selected from agencies like trade

and commerce, physical planning, local government council and industry. Those from informal sector should comprise representatives from EIIISW from major residential zones in the study area. This committee is to among other things, agree on when EIIISW are to begin tax payment. They are also to recommend appropriate places to locate EIIA that are injurious to human health, and determine mode of their operations within residence. In addition, EIIISW should be encouraged to publicise their products and services within the permission of the law in the society so as to further boost their profits.

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**Appendix 1 (Table 1):** Socio-Economic Behaviour of Entrepreneurs in the Indoor Informal Sector (Activities in Lagos State).

Variable	Frequency	%	Variable	Frequency	%
<b>Sex</b>			<b>Age Group</b>		
Male	155	73.8	20-30 years	16	07.6
Female	55	26.2	31-40 years	55	26.2
<b>Total</b>	<b>210</b>	<b>100</b>	41-50	79	37.6
<b>Profit Realised per Month (Average)(C</b>			Above 50 yrs	60	28.6
N7, 500	18	08.6	<b>Total</b>	<b>210</b>	<b>100</b>
N14, 500	137	65.2	<b>Marital Status</b>		
N28, 500	48	22.0	Single	25	11.9
N45, 500	05	02.4	Married	142	67.6
N52, 500	02	01.0	Separated	43	20.5
<b>Total</b>	<b>210</b>	<b>100</b>	<b>Total</b>	<b>210</b>	<b>100</b>
<b>Means of getting Customers</b>			<b>Religion</b>		
Through Initial Customers		76.2	Christianity	119	56.7
Through Friends		11.0	Traditional	10	04.8
Hearsay		5.0	Islam	70	33.3
Through Neighbours		6.2	<b>Total</b>	<b>210</b>	<b>100</b>
No Specific Source		1.9	<b>Education</b>		
<b>Total</b>	<b>210</b>	<b>100</b>	Primary	62	29.5
<b>When Business Started</b>			Secondary	121	57.6
before 1980	117	55.7	Tertiary	03	01.4
1980-1986	35	16.7	Informal	20	09.5
1987-1993	25	11.9	No Response	04	01.9
1994-2000	13	06.2	<b>Total</b>	<b>210</b>	<b>100</b>
above 2000	20	09.5	<b>Have Apprentices</b>		
<b>Total</b>	<b>210</b>	<b>100</b>	Yes	46	21.9
<b>Have Apprentices</b>			No	164	78.1
<b>Total</b>	<b>210</b>	<b>100</b>	<b>Total</b>		
<b>Total</b>			<b>210</b>	<b>100</b>	<b>100</b>

**Have Employees**

Yes (2-5 people)	33	15.7
No	177	84.3
<b>Total</b>	<b>210</b>	<b>100</b>

**Appendix 2 (Table 2):** Linear Regression of the Relationship Existing between Customers’ Patronage Weekly and Distances they Covered in Lagos State.

Variable	Regression	Customers’ Weekly Patronage	Customers’ Travel Distances
Customers’ Patronage Weekly	Linear Regression	1	**0.196
	Sig. (2-tailed)		.004
Number of Entry	N	210	210

\*\* Correlation is significant at the 0.01 level.

**Appendix 3 Table 3):** Spearman’s Rank Correlation Existing between Monthly Profits realized by Exclusive Indoor Informal Sector Workers and Customers’ Patronage per Week.

Monthly Profits realized by Exclusive Indoor Informal Workers	Spearman’s Rank Correlation	Generate Biz/ Monthly	Customers’ Patronage Weekly
		1	**0.502
	Sig. (2-tailed)	.	.000
Number of Entry	N	210	210

\*\* Correlation is significant at the 0.01 level (2-tailed).

No complementary cards	92
Belong to any business association	58.6
None	41.4
Hidden open spaces within residential compound	92.4
Setbacks within fenced premises	
Personal bedrooms	7
Pay tax	
Yes	3.8
No	96.2