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Creating Sustainable Employment in Africa: Leveraging on the Capacity of the Informal Sector

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Abstract

This paper throws up the challenging effect of unemployment on the sustainable existence of Africa. It reviews the contemporary measures adopted by selected African governments to solve the menace of unemployment which is assumed to breeding extreme poverty in Africa. Many of the programs instituted by these governments to reduce unemployment in Africa had been anchored on the traditional (agricultural) and modern (industrial) sectors. The paper goes on to show that many of the unemployed labour force in Africa are located and engaged in the informal sector – an emerging sector that sits in the middle of the dual economic conception of modern (industrial) and traditional (agricultural) sectors. Using a fixed effect panel regression analysis, the paper confirms the positive but insignificant relationship between poverty and unemployment in Africa, using a 10 country study. The statistical insignificance of unemployment in explaining its positive relationship with poverty is explained by the vast informal sector in these African countries. A review of the informal sector indicates that it has a very large capacity to create and destroy jobs. Since entry into the sector and exit is free and unrestricted, coupled with its labour intensive production techniques, its capacity to absorb more labour is large. However, the unsustainability of jobs in the sector, which is informed by the character of the informal sector leads to easy job destruction and makes employees in the sector not to see their engagement as employment – thus bourgeoning the mass of unemployed in the continent. Arising hence, the paper proffers suggestions that could create sustainable employment in the sector, while repositioning it as an advantage to solve the unemployment and poverty problems encountered in Africa.

Keywords: Informal sector; Job creation; Job destruction; Unemployment; Inflation; Poverty

1. Introduction

Unemployment, poverty, and disease had been indicated recently as the major problems of African economies. High unemployment rates have been reported in many African countries. The biggest economy in Africa (Nigeria) is reported to have an unemployment rate of about 23.1% in 2018. Of this total employment rate in Nigeria, youth unemployment was estimated to be 55.4% and underemployment was 20.21% (NBS, 2019).

The roaring unemployment rate in Africa had recently resulted in a shrinking African economy, where aggregate demand is drastically falling, prices are very flexible upwards and sticky downwards, standards of health care and education is deteriorating as parents do not have the wherewithal to support their families; this exacerbates diseases as families cannot afford education and health care. Also, inflation has

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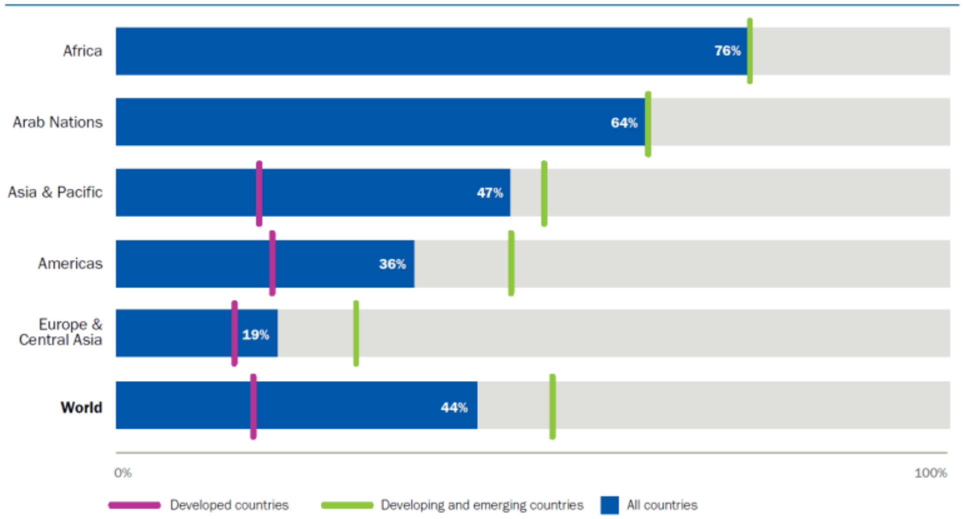
defied codified neoclassical economics theorizing by growing in similar direction with unemployment, indicating high misery index in Africa.

Macroeconomic policies to help solve the problem of unemployment and poverty which breed diseases in Africa is anchored on policies aimed at the formal industrial, agricultural, monetary and fiscal policy frameworks. Economic theory postulates that in time like this, monetary policies should be targeted at reducing interest rates to encourage borrowing for investment and the generation of aggregate demand as well as a conscious credit policy to channel lending to agriculture and industry. On the fiscal landscape, it is expected that government should consciously invest in social protection programs that aims at reducing unemployment and poverty, while advancing policies that creates the environment for private participation and job creation.

The above crises are what this conference is expected to address. However, suffice us to say that these problems, even though brought to the fore so influentially now by the African Union, had always been there with us. Many African countries have adopted several methods and strategies to solve this nagging problem of unemployment which had occasioned poverty and disease. In many cases interventions by countries were not structural but rather ad-hoc. In some cases, countries were addressing the symptoms instead of root causes. In other cases countries were misrepresenting the interpretation of their economies or the sector they intended to address. In many cases, governments in many countries in Africa thought that solution to the problem of unemployment laid in a sector that they could easily reach, manage and control; where formal policies made for the formal sectors of the economy could as well apply with all sectors of their economy. Interestingly many efforts made by governments in Africa had failed to reduce unemployment. Unemployment is growing unabatedly even with employment generation policies.

Figure 1 | **Half or more of all employment in the global South is informal, with the highest rates in Africa (and South Asia)**



Notes: South Asia has a higher rate of informal employment than Africa: 78 percent. Because South Asia is grouped with more developed countries in Asia and the Pacific Islands in the chart, this fact is not visible.
Source: ILO, 2018.

In trying to reduce unemployment in Africa many countries have instituted several ad-hoc and stand-alone policies targeted at social protection. Many of these policies in many cases had remained unsustainable and very costly to maintain and manage. On the other hand many countries in Africa while deciding on how to target the very poor unemployed population in order to alleviate poverty and hunger have confused the informal sector business operators for small scale business practitioners and sometimes micro enterprises; expecting them to be organized and easily expose selves to governmental controls.

Also, increased governments credit to this sector had not yielded desired impact because the Small Scale and Micro-enterprise business sector does not in its true sense address the concerns of the informal sector businesses. In Nigeria, for instance, the high concessionary credit facilities extended to the SMEs had not reduced the unemployment situation that this policy was intended to achieve. Similarly, the National Directorate for Employment (NDE) programs had not succeeded in addressing unemployment problems in Nigeria because they had not targeted the informal sector where most of the unemployed dead-weight resides. The Social Protection Programs of the current government of Nigeria (Conditional Cash Transfer, School Feeding, Anchor Borrowers Scheme, Agricultural deepening programs, Small Scale Enterprises credit Programs) has also not succeeded in majorly reducing unemployment as expected as the informal sector was not targeted.

In a reported research carried out by World Resources Institute (WRI) in collaboration with WIEGO (Women in Informal Employment Globalizing and Organizing), it presents the state of informal sector in the global South. It states that the informal sector generate 25 to 50 per cent of value added outside of agricultural activities. It goes further to state that most of the urban workforce in the global south is informal. The ILO defines informal employment as employment without legal or social protection. Fig 1 derived from the report shows that 76% of African workforce is employed in the informal sector (ILO, 2018)

Cheru (2019) in his work concludes that the informal sector is largely marginalized; that they are not listened to by policymakers in government or in the international organizations. He further argues that when policies are made they affect large percentage of firms, entrepreneurs, employees and communities but the informal sector is less likely consulted.

The paradox, where expanding economy, occasioned by growth in the value of the GDP, was relating positively with unemployment rates, bred reason for concern. A further paradox is where we noticed from literature that there was an emerging and ‘hidden’ sector in Africa’s economy that had an inert capacity to reduce unemployment in the growing economies if well harnessed, but there was lethargy on the part of responsible stakeholders to appropriately identify and analyze the implicit capacity of the emerging employment potent sector and adapt same to stem the tide of the raging unemployment scenario which is taunted by many as ravaging and threatening the very existence of Africa. Although literature is replete with works on informal sector’s positive impact on employment generation in Africa, this paper isolates the implicit nature and character of the informal sector that sustains the capacity that affords the sector that ability to continually create jobs. It further adds to literature by suggesting some innovative and novel ideas to sustain the chain-like job creation capacity of the sector, which can, even in the short run, reduce the pressure of unemployment in Africa. Again, as in Ekong (2014), this paper describes the theoretical emergence of a third economy (the informal economy), outside the structural dual economic stratification of traditional (agricultural) and modern (industrial) economies.

The paper is treated in sections thus:

Section 1 – Background
Section 2 – Historical Evolution of the Informal Sector
Section 3 – Emerging Labour Characteristics of African Nations
Section 4 – Theoretical Issues
Section 5 – Poverty, Unemployment, and Inflation in Africa
Section 6 – Conceptual Description of the Capacity of the Informal Sector to Create Jobs
Section 7 – Sustaining Informal sector jobs
Section 8 - Conclusion

2. Historical Evolution of the Informal Sector

This section of the paper is drawn majorly from the work of Ekong (2014). Contemporary economic development and growth theorizing had been limited in its stratification of the structure of the global economic system. The Structuralists who had shown more prominence in the stratification procedure dwells more on dualism as their major basis for stratification. They had all the long stratified economies into two broad sectors: the traditional (agricultural) sector, and the modern (industrial) sector (Todaro and Smith, 2009); (Jhingan, 2008).

With increase in the activities of the modern (industrial) sector, as in Lewis (1955), surplus labour from the agricultural sector had started migrating to the modern sector (the Structural growth theory). With the employment glut in the modern (industrial) sector and capacity issues, firms in the formal sector were now unable to employ the increasing number of labour that emigrated from the traditional (agricultural) sector. This might have been occasioned by wage inflexibility and other market inhibiting factors. Also, given the fact that manpower requirement in the industrial sector must be highly skilled, the non, low, and semi-skilled labour that emigrated to the industrial sector from the traditional sector remained unemployable as either their skills did not match existing employment opportunities or that their marginal product was either zero or less than zero. This situation raised a continuum of unemployable labour force in the modern sector that was reluctant to return to the agricultural sector, even though employment opportunities existed for them in the sector. This population started raising the army of labour that sought after any employable source to make ends meet. Activities in the informal sector then became their sanctuary.

The dual of the above scenario was also observed in the traditional (agricultural) sector. Active labour force in the sector that theory refers to as being employed in the traditional sector had started opting for formal sector jobs. Even those who could not possibly earn those jobs because of their incapacity and inadequate factor endowment, due largely to peer pressure and eventual oil-based increasing revenue earnings of Nigeria, which made importation of food to complement the dwindling fortunes of agricultural production in the country to cover up imminent drop in production, decided to stay away from engagement in the traditional (agricultural) sector. In many cases, such labour force opted to remain unemployed, except in the modern sector. With increasing pressure for survival, this group had to resort to informal sector engagements, even in the traditional (agricultural) sector. This activity kept growing the ranks of the informal sector. A conundrum, the informal sector, started emerging from the dual ends of the theoretical divide of global economies.

The reality of the growing and bourgeoning informal sector that arose from the dual economy theoretical setting was first officially discovered by the ILO mission to Kenya in 1972 by Hans Singer and Richard. The mission discovered that the traditional sector in Kenya, which they called the informal sector, included profitable and efficient business enterprises that served as employment reservoir for the mass of those who were unable to secure employment in the formal sector (Chen, 2004). Notice that the ILO actually defined informal employment as employment without legal or social protection.

Following from this discovery experts started investigating to understand and bring up more bodies of knowledge concerning the new experience. Hart (1973) quoted in Chen (2004) coined the term 'informal sector' in his 1971 study of low income activities among unskilled migrants from Northern Ghana to the capital city, Accra, who could not find wage employment. This corroborates our earlier claim of the emergence of the informal sector in Nigeria from the two theoretical sectorial dual of modern (industrial) and traditional (agricultural) sectors.

Lessons from many economies of the world have been indicated to show that informal sector expands during periods of economic adjustments and economic crises (Tokman, 1984; Lee (1988); Standing (1999); Rodrik (1997). The argument by these studies indicates that when economic downturn ensues, firms will retrench and reduce capacity. The workers laid off who cannot find employment in the formal sector will find alternative in the informal sector. Also, the importance and overwhelming expansive nature or character of the informal sector confirms the assertion that, informal employment is more than half of non-agricultural employment in most developed regions and as high as 82% of non-agricultural employment in South Asia as indicated in the work of Vanek, et al (2012).

Furthermore, De Soto (1989), Loayza (1996) points out that in many countries, especially poor countries, a heavy burden of taxes, bribes, bureaucratic hassles, as well as labour market restrictions and inefficient government institutions drives many producers into the informal sector. This is indicative of the fact that informal sector activities are either not or very loosely supervised by government. There is therefore no barrier to entry and exit. Using data from 69 countries, Friedman, Johnson, Kaufmann, and Zoido-Lobaton (2000) adds that costs of bureaucracy and corruption are strongly and positively related to the size of the informal sector.

This paper agrees in full with the definition and classification of the nature of informal sector by Ekpo and Umoh (2014). They see the informal sector as such which refers to economic activities operated outside official norms of governmental regulations and that it include a wide range of small scale, largely self-employed activities. They further classify the nature of the informal sector into:

i. The Informal Productive Sub-sector: comprising all economic activities involving the production of tangible goods. They include agricultural production, mining and quarrying (excluding petroleum), small-scale manufacturing, building and construction. Specifically, they manifest in food production, woodwork, furniture making, garment making, welding and iron works, among others.
ii. Informal Service Sub-sector: Including repairs and maintenance, informal education services, health services, counselling services as well as labour for menial work. Repairs and maintenance services include tailoring, vehicle repairs and maintenance, tinkering, carpentry and servicing of various household and commercial tools. Informal health services, especially in the rural areas, include traditional birth attendants, herbalists and other traditional medical practitioners. There are also traditional spiritualists who offer counselling services. These services are rendered for fees paid to those who render them.
iii. Informal Financial Sub-sector: Including mostly underground, unofficial, irregular, informal, shadowy, and parallel. The most predominant type of informal finance in Nigeria is the Esusu. Among the Yoruba, it is called either Esusu or Ajo. Among the lgbo, it is called lsusu or Utu while the Edo calls it Osusu. The Hausa call it Adashi', the Nupe Dashi, the Ibibio Etibe, while the Kalabari call it Oku. Some Esusu groups operate with written laws while others operate with unwritten laws but on oath of allegiance and mutual trust. The general practice is that esusu associations contribute a fixed amount periodically and give all or part of the accumulated funds to one or more member(s) in rotation until all members have benefited from the pool.

There is an emerging development in the Small and Medium Scale Businesses (SMEs) financial enterprise where we have POS agents (mobile money operators) that engage in money transfer as well as cash withdrawals, their engagement and activities are well outside the scope of the informal market: as they are fully registered by the monetary authority to be empowered to transfer money or take payments. This paper will rather classify them into the SME bracket.

It should, however, be noted here that this paper defines the informal to be distinct from the Small Scale Enterprises (SSEs), by the fact that they remain unregistered by government, have no legal status, do not pay taxes, and does not transact any official business with government.

Other specific activities in the informal sector include: Truck pushing, Hawking, Driving, Garbage collection, roadside mechanics, barbing, hair dressing saloons, small shops, bicycle and motorcycle repairing, cobbling, shoe shinning, weaving, dye and printing of cloth, casual works with restaurants and hotels, security guards, day labourers in construction, agriculture, money lending, etc.

3. Emerging Labour Characteristics of African Cities and Nations

An interesting emerging scenario in Africa is the emerging character of economic activities and labour force type in its major cities. The developing scenario seems to be propelled by the mass rural-urban migration in Africa, especially by the younger generation. As far back as 1968, C. R. Frank quoted in Byerlee (1974) in his study on rural-urban migration in Africa had discovered that Africa urban growth rates are among the highest in the world, averaging 7% annually, with several cities having growth rates in excess of 10% of the urban labour force which consisted largely of young school leavers. Similarly, Caldwell (1969), in his study in Ghana drew inference to a fact; that many people saw the rural areas as representing traditional life while the towns presents new possibilities. This tradition had continued to date in many African countries, where young people, especially, had always sought to migrate to towns to experience new possibilities. These movements had created enormous pressure on facilities in the towns. Very importantly noticeable is that opportunities in the cities are finite and are not elastic enough to provide employment, shelter, healthcare, education, among others to all migrants. This, therefore, creates a situation where hopeful migrants who have decided not to migrate back to the rural areas they came from look for and develop coping strategies. Such strategies culminate in creation of slums in towns and involvement in informal sector employment to make ends meet.

Table 1 shows the rate of urbanization in Africa resulting majorly from rural-urban migration. Notice the rapid and positive growth in the urbanization rate in all regions in Africa. This is noticeable in the high rate of urban unemployment, especially in the formal sector, and a bourgeoning increase in informal sector activities.

Africa's urban population has been growing at a very high rate (i.e. from about 27% in 1950 to 40% in 2015 and projected to reach 60% by 2050 (UN-DESA, 2014) in Teye (2018)

Table 1: Rate of Urbanization in Regions of Africa (Regional Variations)

S/N	Regions	1950	1980	2000	2015	2050
1	Sub Saharan Africa	10.7	22.4	30.8	37.9	54.8
2	Africa	14.0	26.7	34.5	40.4	55.9
3	Eastern Africa	5.6	14.5	20.6	25.6	43.6
4	Middle Africa	14.0	27.5	36.8	44	60.8
5	Northern Africa	26.0	41.3	48.4	51.6	63.3
6	Southern Africa	37.7	44.7	53.8	61.6	74.3
7	Western Africa	8.4	23.6	34.7	45.1	62.7

Source: UN-DESA in Teye (2018)

Table 2: Cities and Population in Africa (in millions) – 2018

S/N	Cities	Population
1	Lagos - Nigeria	21
2	Cairo – Egypt	20.4
3	Kinshasa – DR Congo	13.3
4	Luanda – Angola	6.5
5	Nairobi – Kenya	6.5
6	Abidjan – Cote d'Ivore	4.8
7	Dares Salaam – Tanzania	4.4
8	Casablanca – Morocco	4.3
9	Accra - Ghana	4.1

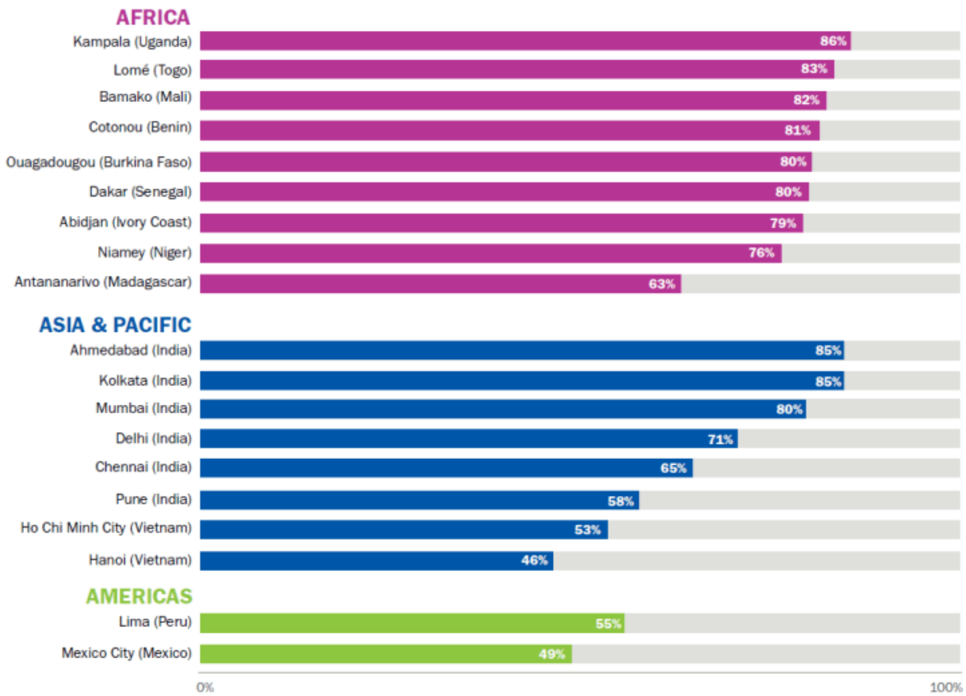
Source: UN-DESA in Teye (2018)

Table 2 shows the population of cites in Africa in 2018. This surging population explains reasons for the growing informal sector in African cities. The WRI Report in ILO (2018) cites a survey by *Développement, Institutions et Analyses de Long terme* (DIAL), done in collaboration with national statistical offices, analysing the scope of informal employment in certain cities in the global south. The survey result as shown in Fig.2 shows that between 63% and 86% of labour in the African cities are employed in the informal sector.

To confirm the conclusions of the survey in Table 2, in terms of the high employability level of the informal sector in African cities, the International Labour Organization (ILO) submits that the informal sector is a large part of employment in African cities. ILO estimates that more than 66% of total employment in Sub-Saharan Africa is in the informal sector.

The reality of the informal economy in Africa cannot be denied. But, variation within the region is significant. Informal employment accounts for a smaller share of non-agricultural employment in Southern Africa (33% in South Africa and 44% in Namibia) relative to countries in other sub-regions (82% in Mali and 76% in Tanzania) (Vanek et al, 2014). Informal employment is a greater source of non-agricultural employment for women (74%) than for men (61%) in the region overall. In seven cities in West Africa with data, informal employment comprises between 76% (Niamey) and 83% (Lomé) of employment. In all seven cities, proportionally more women than men are in informal employment (Herrera et al 2012).

Figure 2 | **Informal employment is between 46 and 85 percent of total employment in selected cities (2003–2015)**



Source: WIEGO Dashboard, 2018.

4. Theoretical and Empirical Issues

This section will undertake a theoretical investigation of the basic concepts of this study. It will seek to understand the theoretical foundations of these concepts and how opinions about their behavioral content are molded.

4.1 Unemployment

Drawing from Ekong (2014), Schumpeter (1934) used the theory of innovation to explain the dynamics of unemployment. He saw the entrepreneur as an innovator who will always create new values into the economic system. A further work on Schumpeter's innovation theory by Vecchi (1995) and Mouhammed (2011) shows that innovation which creates job relative to that which destroys job is the basic force behind the increases in employment and decreases in unemployment. That when an entrepreneur for instance innovates by creating a new product, or finding a new market, or finding a new method of production, or introducing a new technology in an organization, domestic investment expenditures will increase demand on economic resources and will increase their prices. This will create some boom in the economy that will boost the capacity for employment creation. This condition would be more strengthened and enduring if as in Manuelli (2000), job creation opportunities out of the innovation outweigh job destruction.

Keynes (1936) considers unemployment as an involuntary occurrence and cyclical. In his Business Cycle hypothesis, Keynes shows that at boom periods, there will be increase in employment and consequent decrease in unemployment, and the reverse being the case in depression.

Also, if expectations about the economy are not favourable, capitalists invests less and employ less number of workers. Hence, the equilibrium is reached or achieved where cyclical unemployment exists. This unemployment is said to be due to the deficiency of the aggregate demand, particularly investment expenditures (Mouhammed, 2001).

Davidson (1988) argues that involuntary unemployment is explained by inadequacy of effective demand, instability of exchange rates, and international mobility of finances which create uncertainty that weakens entrepreneurial confidence to make investments to reduce unemployment. However, other economists argue that involuntary unemployment is due to contractionary nature of policies (monetary or fiscal) which creates deficiency in aggregate demand. Also some Keynesians think that the unexpected increase in price level, or a higher rate of inflation, will reduce the real wage and increase demand for labour (Mouhammned, 2011).

In another theory showing unemployment in the real business cycle, Chatterjee (1995 and 1999) argued that the growth of productivity of input which revolutionizes technology is the main source of employment and unemployment. That is, if the growth of outputs increases more than the growth of inputs, then total factor productivity has increased. On the contrary, if total factor productivity is not growing, then the firm and the economy become inefficient. It follows, therefore, that reallocation of labour and capital cannot be achieved and labour and capital will be used in less profitable opportunities. If shocks to productivity brought about by technological shocks do not exist, Mouhammed (2011) concludes that unemployment will rise.

Mouhammed (2011) furthers the productivity argument by considering a standard microeconomic theory. In this theory, the marginal revenue product (MRP) is given as:

$$MRP_L = (MR)(MP_L)$$

And the profit maximizing firm will hire workers until $MRP_L = W$, where W = wage rate

It is assumed that the production function is of the form where output (Q) depends on two resources Labour (L) and all other resources combined as O, and is subject to constant returns to scale, where the sum of the exponents of L and O is equal to one. It is also assumed that the production function is affected by the technological level A such that:

$$Q = AL^a O^b \tag{1}$$

Differentiating the production function partially with respect to labour yields, we have:

$$\frac{dQ}{dL} = aAL^{a-1} O^b \tag{2}$$

Using the marginal product of labour in the MRP_L equation to obtain

$$MRP_L = MR \times MP = MR \times (aAL^{a-1} O^b) \tag{3}$$

Because,

$$MP_L = (aAL^{a-1} O^b)$$

The MRP_L should be equal to the real wage rate W/P, where P is the price of the product. The MRP_L is equal to the value of the marginal product of labour if MR = P under perfect competition. Under imperfect competition, the MRP_L is smaller than the value of the marginal product, indicating the existence of labour exploitation. In any event, solving for L, we obtain the employment level.

$$L = {}^{aPQ}/_{W} \tag{4}$$

Where, PQ represents the GDP. If the numerator and the denominator of the above equation are divided by L, one can obtain

$$L = aPQ/L/W/L = a\,(average\ product\ of\ \frac{labour}{average\ wage}) \quad (5)$$

$$L = a\,(PQ/L)(L/W)$$

This equation states that if labour productivity (or the average product of labour) increases, assuming W is constant, the demand for labour, L, will rise, and the unemployment rate will decline. And this shift (or increase) in the demand for labour can occur, for example, if investment or capital formation increases. This is because if labour productivity increases relative to wages, the employer or the producer will increase the firm's rate of profit by hiring more workers (L).

Arising from the above we can see clearly that under perfect market condition (the kind presented by the informal economy), the demand for labour reflects labour productivity. Employers will hire workers up to the point where the value of marginal product ($VMP_L = MP_L \ x \ P$) is equal to the wage rate. Contrastingly, under imperfect market condition, where the demand for labour reflects the marginal revenue product ($MRP_L = MP_L \ x \ MR_x$), where MR_x is the marginal revenue, and MR_x is lower than the market price P, it follows that the MRP_L is lower than the VMP_L. That is, there is exploitation of the labour force by employers. The second outcome under the imperfect market condition is that the marginal labour cost will be above the labour supply. When the MRP_L intersects the marginal factor cost, the employment of labour is determined. But this employment level is lower than the level of employment determined under perfect market condition.

It follows therefore that an economy dominated by large corporations will generate lower level of employment.

4.2 The Informal Sector

In 1972, an ILO Employment Mission to Kenya first analyzed economic activities outside the formal economy using the term 'informal sector' which had been coined by economist Keith Hart's previous study of economic activities in Ghana.

Hart's (1971) term was taken up rapidly by development studies and by international agencies. In 1972 the ILO, began to codify the definition of informality, particularly keeping in mind the needs of national statistical authorities in measuring the extent and nature of informality. In 1993, the ILO provided the following definition for the informal sector. ILO in paragraph 5 of the ILO Report of the Fifteenth International Conference of Labour Statisticians (1993) defined the informal enterprises "as private unincorporated enterprises (excluding quasi-corporations), that is, enterprises owned by individuals or households that are not constituted as separate legal entities independently of their owners, and for which no complete accounts are available that would permit a financial separation of the production activities of the enterprise from the other activities of its owner(s). Private unincorporated enterprises include unincorporated enterprises owned and operated by individual household members or by several members of the same household, as well as unincorporated partnerships and co-operatives formed by members of different households, if they lack complete sets of accounts"

The informal sector as an economic reality has been receiving a mixed review in development circles. Many observers consider the informal sector to be marginal or peripheral and not linked to the formal sector or to modern capitalist development. Some of these observers believe that the informal sector in developing countries would disappear once these countries achieved sufficient levels of economic growth or modern industrial development. Others argue that industrial development might take a different pattern in developing countries – including the expansion of informal economic activities – than it had in developed countries (Chen, 2012:1). This conclusion is however not generally and convincingly true. What we have noticed in Africa is a continuous expansion of the informal sector as the economy grows.

Chen (2004) quoted in Ekong (2014) summarizes the thinking of economists regarding informal sector into four dominant schools of thought regarding the nature and composition of the informal sector. He classifies them thus:

(i) The Dualist School – In his characterization, Chen (2004) drawing from the key proponents of this school of thought (Hart: 1973; ILO: 1972; Sethuramann: 1976; Tokman: 1978) shows that the Dualist School see the informal sector as comprising marginal activities – distinct from and not related to the formal sector – that provide income for the poor and a safety net in times of crisis. That this arises as a result of the informal sector operations being excluded from the modern economic opportunities due to imbalances between the growth rates of the population and of modern industrial employment, as well as a mismatch between people's skills and the structure of modern economic opportunities.

The Dualists, Chen (2004) continues, hold strongly to the notion that informal sector activities have few linkages to the formal sector, but, rather operate as a distinct separate sector of the economy and that the informal workforce – assumed to be largely self-employed – comprise the less advantaged sector of a dualistic or segmented labour market. They pay less attention to links between informal enterprises and government regulations. But, however, recommend that governments should create more jobs and provide credit and business development services to the informal operators, as well as basic infrastructure and social services to families.

(ii) The Structuralists School – Summarizing from the works of Moser, 1978; Castells and Portes, 1989; Chen (2004) posits the Structuralists school as microenterprises and workers that serve to reduce input and labour cost, and thereby increase the competitiveness of large capitalist firms. That the nature of capitalism growth drives informality – that is, attempts by formal firms to reduce labour costs and increase competitiveness and the reaction of formal firms to the power of organized labour, State regulation of the economy; to global competition; and to the process of industrialization.

The Structuralists, Chen (2004) furthers, see the informal and formal economies as intrinsically linked. That they see both informal enterprises and informal wage workers as subordinated to the interests of capitalist development, providing cheap goods and services. The structuralists, Chen (2004) further submits, argue that governments should address the unequal relationship between "big business" and subordinated producers and workers by regulating both commercial and employment relationships.

(iii) The Legalists School – The Legalists as explained by Chen (2004) argue that a hostile legal system leads the self-employed to operate informally with their own informal extra-legal norms. The legal system is said to be so elitist and focused only in serving the formal sector. In many countries, for example Nigeria, bureaucratic processes required for the registration of enterprises are so elitist that many informal sector businesses see such as unattainable.

(iv) The Voluntarists – The Voluntarists are of the opinion that informal sector operators choose to operate informally, after weighing the cost-benefits of informality relative to formality. Voluntarists pay relatively little attention to the economic linkages between formal and informal firms but subscribe to the notion that informal enterprises create unfair competition for formal enterprises because they avoid formal regulations, taxes, and other costs of production.

Notwithstanding the novel classification of the informal sector by Chen (2004), Boswell (1973) had long argued and classified the sector into three basic stereotypes. However, Boswell's (1973) work had been argued to have been more skewed to Small Business that were themselves semi-formal. The three classifications included: the classical, romantic, and modern stereotypes.

The classical model comes with the simple themes of the entrepreneur; competition and profit maximization. The model sees the businessman as mixing ownership and control. However, most contemporary economic analyses have challenged the efficacy of this model, as current trends concentrate on corporation rather than entrepreneurial management.

The romantic stereotype, Boswell (1973) argues owes much to the classical tradition, by applying value judgment more vigorously. It concentrates on the small business as a source of economic utility. The model colours many stories of successful businessmen and company histories, and it infuses much of the polemical (passionate) literature in defense of small businesses.

The modernistic model views small businesses as being inefficient, traditionalistic and family determined; that small businesses are generally inimical to progress and professionalism. However, the conclusions of this model are seen by Clarke (1973) to be half-truths, misunderstanding and unnecessary generalization of small business activities. The model has a strong preference for large formal firms, which Boswell (1973) argues, are more amenable to government control and intellectual appeal (Ekong and Ayara, 1999).

The idea of the model corroborates Boswell (1973) who, in adopting historical reasoning, concludes that modern trends makes for unavoidable pressure towards business expansion which eventually pushes small businesses aside or perhaps squeezes the bottom completely. It almost became a consensus in literature (Herole, 1982; Mansilla, 1992; Steel and Webster, 1992), that due to its abounding inefficiencies the informal sector does not contribute meaningfully to development. They had considered the formal and more organized Small Scale Enterprises (SSEs) more relevant in the process of development. As such Ekong (1999) concluded that many studies on small businesses were based on information and data from SSEs as in Levy (1993), Steel and Webster (1993), Liedholm and Mead (1987).

As in Ekong (1999), it is argued that modern technological improvements and increase in efficiency seen in the formal sector are out of reach of the informal; that even when the informal sector enterprises demonstrate remarkable expertise in the use of scarce resources and prove to be relatively inventive, they nevertheless come out at very low level. Hernando Soto, et al, quoted in Mansilla (1992), in a study of Peru established that the average productivity of an informal worker was only one third (1/3) of that of a "formal". Soto, quoted in Mansilla (1992:38) concludes that the informal sector is a continuation of the traditional life strategy; that such strategy leads to "a massive waste of resources, involves immense sufferings and leads unavoidably to hopelessness".

However, a challenge to some developing countries currently as peripheral capitalist societies, have induced neo-liberal positive view of the informal sector. The liberals as noted by Mansilla (1992) see the informal sector as a "child of necessity". They see the growth of the informal sector in these peripheral capitalist States as a dynamic economy based on private initiative, by an over-abundance of bureaucratic regulations. The liberals argue that it is in the informal economy that the reasonable contemporary aspiration for private property and free enterprise finds expression.

Pockets of arguments against the perception of some authors on the informal sector as that which is not meaningful for development have also echoed in literature. Meier (1982) sees the sector as being very reliable in providing employment. Using Kenyan data, he shows the increasing unemployment rate which could only be reduced by harnessing the potentials of the sprawling informal sector. Obi (1989), using West Germany and Japan data, shows how the small business sector (informal sector) has immensely contributed to the development of these nations. Steel and Webster (1992) confirm that there was increasing employment capacity in the informal sector of Ghana during the Economic Reconstruction Programme (ERP) while formal sector employment was declining. However, they confirm that output was lower in the informal sector than in the more organized formal sector.

The, United Nations resident coordinator/representative of the United Nations Development Programme (UNDP) in Nigeria, Daouda Toure, in 2014 disclosed that Nigeria's informal sector accounts for as much as an estimated 57.9 percent of the nation's rebased Gross Domestic Product (GDP) in 2014. This, he furthered, perhaps, makes the country the largest destination for informal activities in Africa.

At the validation workshop on the report of a pilot study on 'Informal Sector and Economic Development in Nigeria', conducted by the National Planning Commission, working with the Nigeria Institute of Social and Economic Research (NISER), National Bureau of Statistics (NBS) and also in collaboration with the United Nations Development Program (UNDP) in six pilot states of Abia, Rivers, Bauchi, Kano, Niger and Lagos, Toure disclosed that there were about 6 million informal sector operators, employing up to 14.37 million people in the six States.

Due to the high potential of job creation and destruction in the sector as shown in the literature reviewed, employees in the sector do not consider their employment as sustainable. Notwithstanding the comparatively higher income they earn from their employment sources in the informal sector, as would have been in the formal sector, they regard such as temporary.

5. Poverty and Unemployment in Africa

The paper in this section seeks to investigate the nexus between poverty, unemployment, and inflation in Africa. Recall from the theme of this Conference which seeks to free Africa of poverty, hunger and diseases, with the mindset that unemployment is a potent trigger of these misery condition. The understanding, therefore, and treatment of the problem of unemployment becomes very germane to this conference. If informal sector can generate employment, will that employment reduce poverty? To establish this link, the paper will undertake some empirical exercise aimed at finding the nexus, especially, between poverty and unemployment. If unemployment motivates poverty, then we will justify our reason for calling for the leveraging on the informal sector employment capacity to combat poverty in Africa.

5.1 Methodology

A fixed effect panel regression model was adopted to study the relationship among the variables in the model. The aim was to find the correlation between the model variables. For a better spread across Africa, the following countries were selected in the following regions for the study: West Africa: Nigeria, Ghana, Senegal; North Africa: Tunisia, Egypt; East Africa: Kenya, Rwanda; Central Africa: Angola, Gabon; South Africa: South Africa.

The Model:

$$Pov = f(Un, Infl) \qquad (i)$$

Where,
Pov = poverty
Un = Unemployment
Inf = Inflation

Deriving the fixed effect regression model from the above, we have:

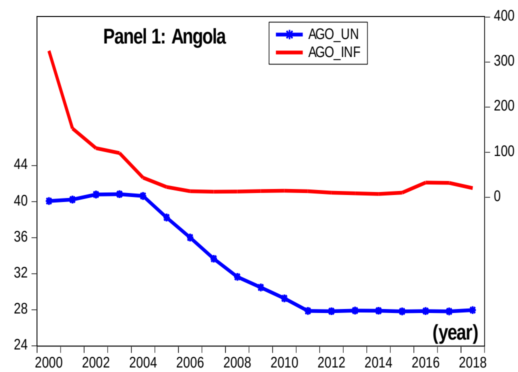
$$Pov\_gap = \beta_0 + \beta_1 Un + \beta_2 Inf + \varepsilon \qquad (ii)$$

The apriori expectation of this model is that Unemployment and Inflation relates positively with poverty. Meaning that as unemployment or inflation increases, poverty gap will increase.

5.2 Trend Characterization of Inflation and Unemployment in Africa

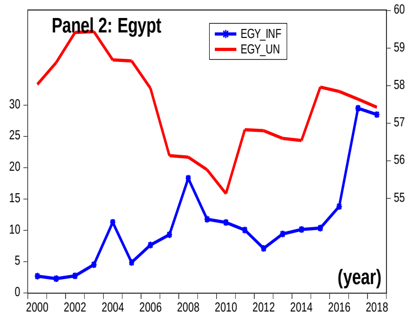
Figure 3: (Panels 1-10) Profile of Unemployment vs. Inflation in 10 Selected African Countries. See data for the charts in Appendix.

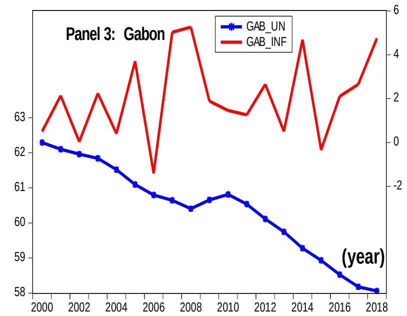
(i) Angola

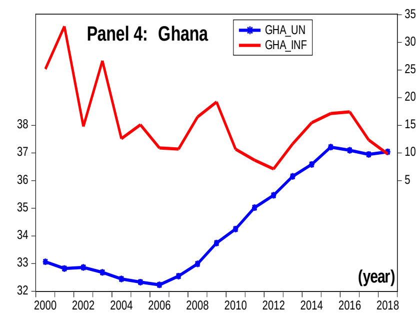


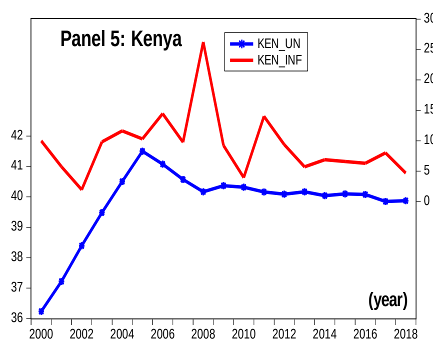
Note: Unemployment data is retrieved from WDI based on modeled ILO estimate. It is measured as “[100] – [employment to population ratio, 15+, total (%), modeled ILO estimate]” Inflation is CPI based

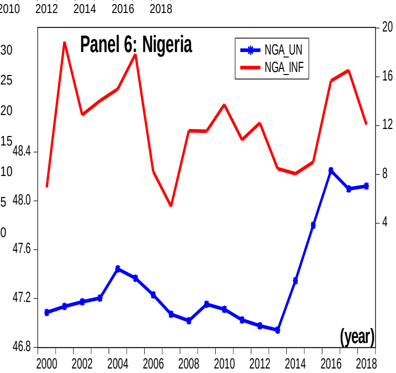
Panel 1 indicates the graph of unemployment (plotted on the left vertical axis) and inflation (CPI based) plotted on the right vertical axis. By simply eyeballing Panel 1, it is easily seen that unemployment started falling in Angola from 2004 from about 40% (of total population) to about 28% in 2018. Over the same period (2014-2018) inflation moderated. Inflation fell from as high as 324.99% in 2000 in Angola to 43.5% in 2004 and by 2014 inflation has plummeted to a single digit of 7% (see table). In 2018, inflation rate rose to 20.1 percent in Angola.

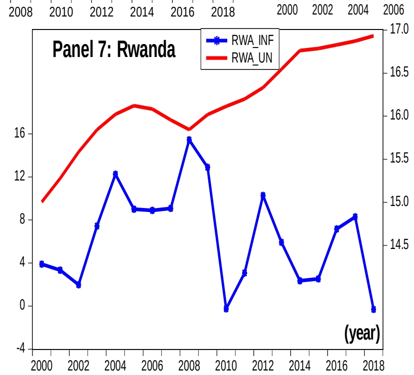


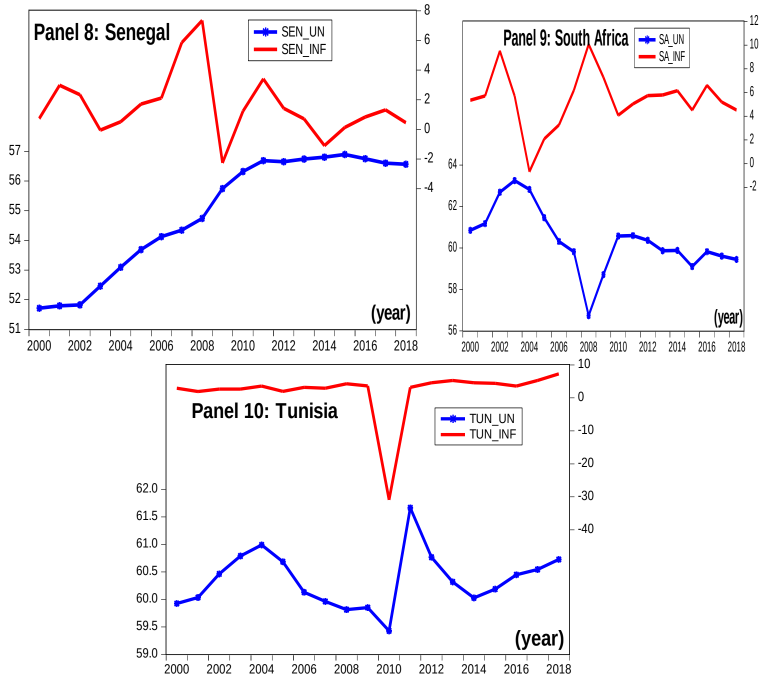












Source: WDI (2019); ILO (2019)

(ii) Egypt

Panel 2 shows inflation (plotted on the left vertical axis) and unemployment (plotted on the right vertical axis). The trend in panel 2 shows that Inflation was 2.6% in 2000 and partially stabilized to 2002 at 2.7%, before it started rising to the highest point of 57.9% in 2017. During these periods, unemployment moderated between 59.42% in 2002 to 57.42% in 2018 (see data in Appendix). These trends indicate insignificance change in unemployment, despite the drastic increase of inflation during this same period.

Table 3: Panel Regression Data

year	country	hc	gap	un	INF
	Angola	0.334	0.144	40.79	108.9
2002					
2005	Angola	0.337	0.13	38.24	22.95
2008	Angola	0.286	0.093	31.64	12.48
2010	Angola	0.302	0.097	29.27	14.47
2011	Angola	0.302	0.097	27.87	13.48
2012	Angola	0.282	0.088	27.83	10.28
2013	Angola	0.273	0.085	27.9	8.778
2015	Angola	0.282	0.088	27.82	10.28
2018	Angola	.	.	27.96	20.19
2002	egypt	0.032	0.005	59.42	2.737
2005	egypt	0.043	0.006	58.66	4.869
2008	egypt	0.04	0.006	56.1	18.32
2010	egypt	0.033	0.005	55.13	11.27
2011	egypt	0.028	0.004	56.83	10.05
2012	egypt	0.024	0.004	56.8	7.118
2013	egypt	0.021	0.003	56.6	9.422
2015	egypt	0.013	0.002	57.96	10.36
2018	egypt			57.42	28.5
2002	GBO	0.074	0.017	61.96	0.037
2005	GBO	0.08	0.018	61.1	3.708
2008	GBO	0.084	0.021	60.4	5.264
2010	GBO	0.074	0.019	60.81	1.462
2002	Nigeria	0.577	0.251	47.17	12.88
2005	Nigeria	0.536	0.219	47.37	17.86
2008	Nigeria	0.539	0.22	47.02	11.58
2010	Nigeria	0.53	0.215	47.11	13.72
2011	Nigeria	0.518	0.207	47.03	10.84
2012	Nigeria	0.51	0.203	46.98	12.22
2013	Nigeria	0.488	0.191	46.94	8.476
2015	Nigeria	0.47	0.181	47.8	9.009
2018				48.12	12.09
2002	Rwanda	0.734	0.35	15.58	1.993
2005	Rwanda	0.698	0.325	16.12	9.014
2008	Rwanda	0.656	0.283	15.84	15.44
2010	Rwanda	0.633	0.26	16.11	-0.25
2011	Rwanda	0.62	0.246	16.2	3.08
2012	Rwanda	0.597	0.229	16.33	10.27
2013	Rwanda	0.584	0.219	16.55	5.924
2015	Rwanda	0.552	0.199	16.79	2.529
2018				16.93	-0.31
2002	SEN	0.481	0.163	51.82	2.337
2005	SEN	0.383	0.125	53.69	1.711
2008	SEN	0.364	0.12	54.74	7.347
2010	SEN	0.372	0.123	56.32	1.229
2011	SEN	0.381	0.128	56.69	3.403
2012	SEN	0.375	0.124	56.65	1.418

2011	GBO	0.063	0.016	60.54	1.263
2012	GBO	0.057	0.014	60.12	2.652
2013	GBO	0.05	0.012	59.75	0.505
2015	GBO	0.04	0.01	58.94	-0.34
2018				58.06	4.749
2002	Ghana	0.312	0.107	32.86	14.82
2005	Ghana	0.258	0.087	32.33	15.12
2008	Ghana	0.214	0.068	32.99	16.52
2010	Ghana	0.187	0.057	34.25	10.71
2011	Ghana	0.15	0.045	35.03	8.727
2012	Ghana	0.131	0.038	35.47	7.126
2013	Ghana	0.119	0.035	36.16	11.67
2015	Ghana	0.132	0.043	37.22	17.15
2018				37.05	9.837
2002	Kenya	0.417	0.151	38.4	1.961
2005	Kenya	0.439	0.163	41.5	10.31
2008	Kenya	0.421	0.151	40.17	26.24
2010	Kenya	0.407	0.142	40.32	3.961
2011	Kenya	0.4	0.137	40.16	14.02
2012	Kenya	0.394	0.133	40.09	9.378
2013	Kenya	0.387	0.128	40.17	5.717
2015	Kenya	0.373	0.119	40.1	6.582
2018				39.87	4.69
2013	SEN	0.375	0.125	56.74	0.71
2015	SEN	0.339	0.109	56.9	0.135
2018				56.57	0.456
2002	SA	0.337	0.121	62.68	9.495
2005	SA	0.261	0.084	61.46	2.063
2008	SA	0.174	0.05	56.74	10.06
2010	SA	0.165	0.049	60.57	4.064
2011	SA	0.167	0.05	60.59	5.017
2012	SA	0.172	0.053	60.36	5.724
2013	SA	0.176	0.056	59.85	5.776
2015	SA	0.189	0.062	59.1	4.509
2018				59.44	4.505
2002	TUN	0.049	0.01	60.46	2.721
2005	TUN	0.035	0.007	60.69	2.018
2008	TUN	0.026	0.005	59.81	4.345
2010	TUN	0.021	0.004	59.43	-30.9
2011	TUN	0.019	0.004	61.67	3.24
2012	TUN	0.014	0.003	60.77	4.612
2013	TUN	0.009	0.002	60.32	5.316
2015	TUN	0.004	6E-04	60.19	4.437
2018				60.73	7.308

Source: ILO (2019); WDI (2019); World Bank PovCalNet (2019)

(iii) Gabon

Unemployment – Inflation trend for Gabon is as shown in panel 3. Unemployment is plotted from left to right, while Inflation is plotted from right to left. The graph for Unemployment for the periods under review shows a continuous, but moderate reduction from 61.96% in 2002 to 58.06% in 2018. Inflation during the same periods stood at 0.037% in 2002 to 4.749% in 2018. However, within these periods (2000 – 2018), inflation fluctuate between -1.5% in 2006 being the least to 5.264% in 2008 being the highest in Gabon.

(iv) Ghana

Panel 4 indicates Ghana's unemployment graph on the left hand side and inflation on the right hand side. The graph shows a moderate reduction in unemployment from 33.1% in 2000 to 32.1% in 2006. Unemployment skyrocketed from 32.5% in 2007 to 37.22% in 2015, after which it stabilizes within 37% in the remaining periods. Inflation in Ghana was as high as 33.15% in 2001 but dropped drastically to 14.82% the following year (2002). In 2018, Ghana inflation dropped to a single digit of 9.837%. It is however, noted that despite the reduction in inflation in Ghana, unemployment in Ghana has been increasing.

(v) Kenya

In panel 5, it is observed that unemployment for Kenya, which is plotted from left to right skyrocketed from 36.1% of the total population to 41.5% in 2005 after which it shows a slight reduction to 40.17% in 2008. Between 2008 and 2015, unemployment fluctuates a little above 40% (see data in Appendix). Inflation in Kenya, which is plotted in the right hand side in panel 5; within these same periods witnesses a serious fluctuation. Inflation rose from 1.961% in 2002 to the highest point of 26.24% in 2008, after which shows a drastic reduction to a single digit of 3.961% in 2010. Inflation in Kenya however finally settled at 4.69% in 2018.

(vi) Nigeria

Panel 6 indicates the case of Nigeria, were unemployment and inflation are plotted from left to right and right to left respectively. Unemployment in Nigeria stood at 47% in 2000 later stabilized a little above 47% between 2002 and 2011, with an insignificance reduction in unemployment to 46.9% in 2012 and 2013. Unemployment in Nigeria however, witnesses a further increase between 2015 and 2018 with

47.8% and 48.12% respectively. Nigeria's inflation has been on serious fluctuation during these periods. During the period under review, Nigeria's inflation in 2001 stood at 18.9% which is the highest and 5.4% in 2007 which is the lowest.

(vii) Rwanda

Rwanda's inflation and unemployment is plotted in panel 7. The graph of inflation is plotted from left to right, while unemployment is plotted from right to left. Inflation in Rwanda has been on a single digit most of the years. It is observed from the data in Appendix that it was only in 2008 and 2012 that Rwanda's inflation rate rose above a single digit of 15.44% and 10.27% respectively. In 2018, Rwanda's inflation stood at negative with -0.31%. Unemployment in Rwanda has been on steady increase. It rose from 15.0% in 2000 to 16.93% in 2018.

(viii) Senegal

Panel 8 indicates graph of Senegal's unemployment plotted at the left hand side and inflation plotted at the right hand side. Unemployment in Senegal first stabilized at 51.8% between 2000 and 2002. It later rose steadily to 56.9% in 2015 after which it shows insignificance reduction to 56.57% of the Senegal's total population in 2018. Inflation in Senegal fluctuates within these same periods. Evidence from the data in the Appendix shows that Senegal's inflation has been on a single digit throughout the periods under review; with the highest rate of 7.347% in 2008 and the lowest rate of 0.135% in 2015.

(ix) South Africa

Graph in panel 9 shows unemployment plotted from left to right and inflation plotted from right to left. In 2002 South Africa witnesses the highest unemployment rate of 62.68% of the total population from 60.9% in 2000. It further falls to 56.74% in 2008 before rising again to 60.57% in 2010. In 2018, unemployment in South Africa stood at 59.44%, reduction from 2010 rate. Inflation in South Africa fluctuates between 2.063% in 2005 to 10.06% in 2008.

(x) Tunisia

Panel 10 indicates Tunisia's case of unemployment and inflation plotted from left to right and right to left respectively. During the periods 2000 to 2018, Tunisia's unemployment fluctuates between 59.43% (in 2010) to 61.67% (in 2011). The Tunisia's unemployment however, stabilized a little above 60% for the remaining years. Inflation in Tunisia shows a minor fluctuation with a single digit rate, hence showing stability; except in 2010 where inflation falls to a negative sign of -30.9%

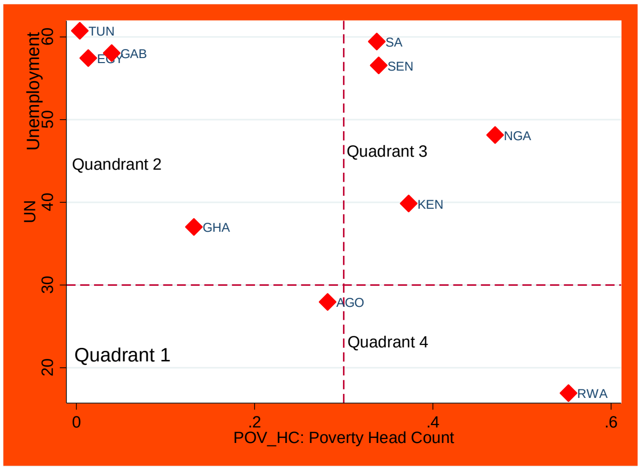


Fig 4: Cross Sectional Scatter Chart of Unemployment versus Poverty (2018/2015)
Source: World Bank PovCalNet (2019); WDI (2019). Note: Poverty figure are based on 2015 PovCalNet estimate from World Bank while unemployment figures are based on 2018 ILO estimates.

Fig 4 shows the cross-sectional scatter chart of unemployment versus poverty headcount in 2018/15. It is divided into four equal quadrants; Q1, Q2, Q3 and Q4 using a reference lines. The reference lines are drawn based on median observation for each dataset and, therefore, represent the mid-point of each axis (x and y plan). Q1 show a region of low unemployment and low poverty; Q2 shows a region of relatively high unemployment and relatively low poverty headcount; Q3 show a region of high unemployment and high poverty headcount; and Q4 shows a region of low unemployment and high poverty rate.

Theoretically, high unemployment is expected to be associated with high poverty rate. And so, bulk of the countries is expected to fall into quadrant 3. From Fig 2, however, we see a situation four countries with high unemployment rate have relatively lower poverty level. This is the case with countries such as Tunisia, Egypt, Gabon and Ghana. In Countries such as Nigeria, SA, Senegal and Kenya, relatively high unemployment rate is also associated with high level of poverty. Rwanda appears to be an outlier where very low unemployment rate is associated with high poverty rate. However, as this cross sectional analysis is only a snapshot of the situation at the specific point in term, we make no attempt to attach any structural interpretation to it. Instead we leave such structural interpretation to the more robust regression analysis employed in the study.

5.3 Regression Result

The result of our regression simulation is presented in the Table 4.

Table 4 Regression Result

```
. xtreg log_gap un inf, fe

Fixed-effects (within) regression               Number of obs      =        80
Group variable: country1                        Number of groups   =        10

R-sq:                                           Obs per group:
     within  = 0.0146                                         min =         8
     between = 0.3807                                         avg =       8.0
     overall = 0.2905                                         max =         8

                                                F(2,68)            =      0.50
corr(u_i, Xb)  = -0.6005                        Prob > F           =    0.6060

------------------------------------------------------------------------------
     log_gap |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
          un |    .007396    .027488     0.27   0.789    -.0474554    .0622474
         inf |   .0029359   .0045944     0.64   0.525    -.0062321    .0121039
       _cons |  -3.395086   1.251874    -2.71   0.008    -5.893162   -.8970111
-------------+----------------------------------------------------------------
     sigma_u |  1.6370203
     sigma_e |  .38077661
         rho |  .94867265   (fraction of variance due to u_i)
------------------------------------------------------------------------------
F test that all u_i=0: F(9, 68) = 81.92                      Prob > F = 0.0000
```

The result in Table 4 shows that poverty gap was positively influenced by both unemployment and inflation in Africa. Meaning therefore that increase in both variables would lead to increase in the poverty gap in Africa. However, the relationships were weak and statistically insignificant. This could be explained by the large informal sector in these African countries. The weak R^2 indicate that only 29% of the change in poverty gap was explained by changes in unemployment and inflation.

People who are unemployed move into the informal sector and are not captured as employed since they are in a sector that is not recognized by government as legal. Also, the earnings they make in the very employment fluid informal sector is mostly below the poverty line, and could only provide for subsistence, if at all, in many cases. This situation encourages the escalation and perpetuation of poverty. Also, since government has little knowledge about employees in the informal sector they cannot officially estimate employment data in the sector. Thus, people who left formal sector employment and got employed in the informal sector are still captured as unemployed in official information and data.

Likewise, since job creation and destruction is high in the informal sector, employees who have jobs that make them stay out of poverty today may experience an anticlimax without warning that throws them into the poverty bracket. So the holding period before informal sector employees go back to unemployment, even in the informal sector, and poverty is very fluid. This explains why unemployment is not exerting a statistical positive significance on poverty as shown in the regression analysis.

The result is further indicative of the fact that African countries are not symmetrical in terms of policies and content and should thus not be treated as same. Individual country analysis may provide more interesting insight into the poverty-unemployment nexus. For instance, in the chart in Fig 4, Rwanda had very low unemployment rate, but very high poverty. Nigeria, Kenya, South Africa and Senegal had both high unemployment and high poverty gap.

However, the basis is established for considering the exploration of the employment capacity of the informal sector and how employment generated in the sector can be made sustainable, avoiding the easy job creation and destruction nature of the informal sector.

6. Conceptual Description of the Capacity of the Informal Sector to create jobs

One very significant characteristic of the informal sector is that it can generate employment even at the level of income that may not be close to or beyond the economy's equilibrium or optimal income level. In this case employment is mostly for subsistence and for engaging selves out of idleness while waiting for a formal or more rewarding and sustainable employment to move on to.

The ability of the informal sector to create jobs is as demonstrated in the Informal Sector re-creative model developed by Ekong (2014). The model which Ekong (2014) said is analogous to the atomic energy reaction model discussed in Eisberg and Resmick (1974), Harvey (1979), Littlefield and Thorley (1968), and Holden (1971), which shows the emission of particles, subsequent recollection and further emission depending on the speed of the reaction, is represented below.

The argument is that when the first entrepreneur in the informal sector establishes a business in the sector, represented by U (in first box), apprentices and workers (represented by A1, A2, A3, and A4) will be employed (in some cases the apprentices are placed on stipends). After training and practical experience accumulation, the apprentices and workers also move out to establish their businesses (represented by boxes UA1, UA2, UA3, and UA4). They too employ other apprentices and workers. The cycle continues in that chainlike reaction form as depicted in the model, creating self-employment, increased aggregate demand, increased aggregate supply and less pressure on the formal sector for employment. The unending chainlike reaction is caused by the assumption of non-restriction of new entrants into the sector's activities and the increasing capacity to accommodate more willing entrants

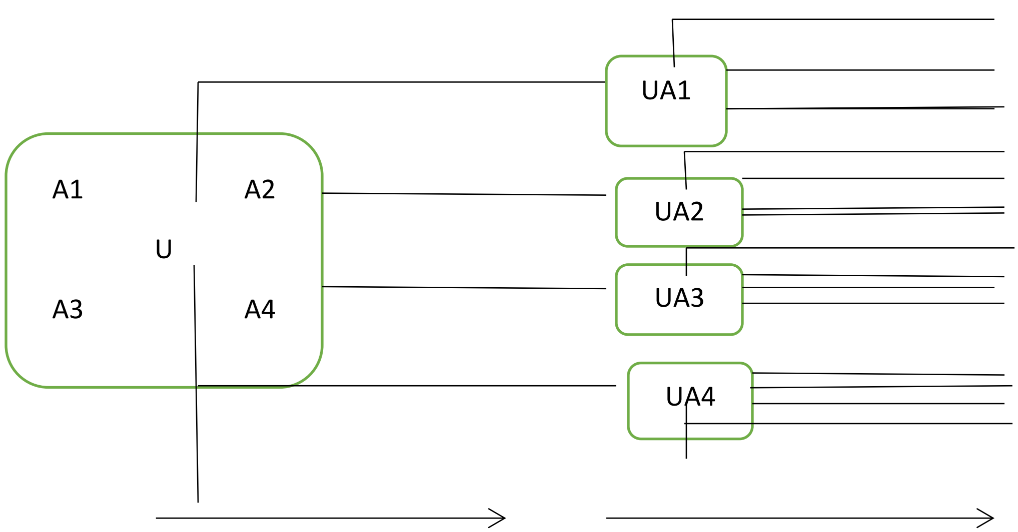


Fig. 5 – The Informal Sector Re-creative Model

7. Why Informal Sector Jobs are not seen as employment in Africa

It is interesting to note that in many African countries, jobs in the informal sector, and even small scale enterprises sectors are not regarded as employment. It is often noticed where employees in the informal sector pass selves as unemployed and will seek any opportunity to get formal sector jobs. Cases abound around this. A case in point: a young Nigerian graduate who as a result of unemployment decided to be entrepreneurial by owning and driving a cab. He made a net earnings of sixty thousand naira (N60,000) a week, meaning that he earn two hundred and forty thousand naira (N240,000) a month from the driving trade. He interestingly opted to have a formal job that will only pay forty thousand naira (N40,000) a month, instead of the cab business. This decision set is varied all over Africa. The paper will attempt here to suggest reasons for the occurrence of this scenario. .

This paper adduces the following as reasons to why informal sector jobs are not seen as or considered employment in Africa.

i. *Unsustainability and Uncertainty*

   Jobs are easily created and so easily destroyed. Unsustainability of employment creates an atmosphere of uncertainty that exposes the informal sector worker to the hazard and uncertainty of securing the current job and therefore creating a situation of inability to plan for the future. For instance a mason may not always find job after completing the one he had on hand.

ii. *No protection from Government*

   Since their activities are assumed to be illegal, government has no plan or policies to protect activities in the sector. Rather government policies are in the main to destroy them. This forces operators of the sector to go more underground. The cost of such wane their activities and in many causes them to easily loose investment, thus destroying jobs. For example, the illegal oil refineries in the Niger Delta of Nigeria that was said to have created enormous jobs for youths in the area, thus insulating reactions from the post-restiveness era, once destroyed by government recently had raised fresh issues including job destruction, uncertainty, and unsustainability of employment in the sector.

iii. *No access to Formal Credit Sources*

   Inability of informal sector actors to access formal credit sources condemns them to the vicious cycle of smallness and easy extinction. Also, when they seek to source credit from the informal sources, they end up paying exorbitant interests that easily kills their businesses.

iv. *No Official Registration*

   Most of the operations of the informal sector business are underground and they mostly evade registration to be officially recognized by the government. Therefore, they stand a great risk of losing their investment to regulatory agencies at any point in time. This will immediately send them out of employment.

v. *Multiple Tax Policies*

   Efforts by African governments to deepen their tax base have made them to start focusing on the informal sector for purposes of increasing tax revenues. This creates a situation where the informal sector businesses are taxed in multiple. Such tax policies easily leads to situations where businesses in the sector are decimated, driving them out of the employment so easily.

vi. *Erratic Wage Structure and Earnings*

   The wage structure and earnings in the informal sector is so chaotic and uncoordinated. There are no uniformity in earnings and no guarantee that what you earn today will be the same the next day. This, however, posits a closer and real picture of market mechanism. Erratic wages and earnings ensues uncertainty and inability to plan. As such workers in the sector are not comfortable and guaranteed of a future; making them see current employment source as quite temporary.

vii. *Chaotic Work Environment Organization*

   The work environment and organization in the informal sector setting is such that breeds an environment of confusion and chaos. No one cares to keep a good environment and work culture because activities are seen to be temporary. That since they are not recognized by *viii.* *No Responsible Response to Need for Knowledge and Changing Technology*

Also noticed in Africa's informal sector is that many operators do not worry about responding to changing technology. Many see technology and changes as waste of time which is introducing new inferior bundles that will not stay in the market. They give this excuse in order to continue in their old ways of doing things. Auto mechanics, for instance see the use of diagnosing equipment as not as good as the rule of thumb or trial by error to identify faults in cars. Once these practitioners refuse to upscale their technical knowledge, they get locked out of the market.

8. Sustaining Informal Sector Jobs

In order to take advantage of the inherent capacity of the informal sector to generate employment, certain specific activities must be undertaken. In this section, the paper will discuss strategies to harness and enhance the capacity of the informal sector to raise sustainable employment, deriving from the problems identified and highlighted earlier in the paper. These strategies are thus presented.

8.1 Pension contributions should be encouraged in the informal sector

This work has brought to the fore the clear observation of uncertainty and unsustainability in the informal sector employment market. The uncertainty and unsustainability has been identified to be caused by the high frequency at which employment is created and destroyed in the sector. Meaning, for example, that in a year an employee in the sector may stay unemployed for less than half of the period. If this happens, such employees will never see jobs in the sector as employment which they can build a career on. They would rather be hanging on jobs in the sector waiting for an opportunity where they can access jobs in the formal sector, where some level of sustainability and certainty is guaranteed. To reverse this trend, this paper suggests that government should take interest in this sector by establishing a non-cumbersome Pension Scheme for the sector. The scheme should be organized such that practitioners and employees in the sector contribute to the fund while they are employed. When they lose their jobs or lose out of business in the sector, the Pension should sustain with periodical sustainable allowances till they are able to get new jobs.

If this suggestion is established and sustained, practitioners and employees in the informal sector will see their jobs as employment and will input their best to develop the capacity of their investments and knowledge, which will go a long in up scaling the productivity of the sector and strengthening further its contribution to the entire economy.

8.2 Government should set up informal activities clusters in Regions of the Countries

To better organize businesses and activities in the informal sector in Africa, the paper suggests that government should show more than a cursory interest in its organization to position it well to benefit the entire economy. The interesting scenario about the sector is that once government shows direction, the system will run itself, because of the laissez faire nature of the informal sector.

The paper suggests that African governments should set up clusters of different kinds of trade in the informal sector in its urban and rural regional centers. In centers that have automobile mechanics, for instance automobile mechanic village clusters, there should be automobile diagnostic shops, mechanical work centers, electrical work centers, panel works centers, a training academy, spare parts fabrication unit, among others.

A similar conception could be activated for other trades in the sector. This will encourage inclusiveness, specialization, and complementarity, which are key growth drivers.

8.3 Government should build technical training academies

Technical training academies which are not targeted at too rigorous academics but more at technical knowledge should be established. Such academies should not be taken away from where the trade is practiced. For example, academies to train auto mechanics should be located in the mechanic villages or clusters; that of tailors should be hosted in tailoring clusters, etc.

8.4 Eradication of Multiple-Taxation in the Sector

Even from the theoretical reasoning that we have brought up in this paper, some experts in the area have insisted that the main causative factor that has led to the perpetuation of the informal economy is taxes. Those businesses will always tend to evade high taxes to operate in the informal or underground economy where they hide from government tax. It is however, discovered recently in developing countries that the informal sector no longer totally hide from taxation. In Nigeria, for example, the Local Governments who are so close to the activities of the informal sector had taken that advantage of taxing businesses in the sector out business. In many cases, taxes had been multiple: involving community, Local Governments, State Governments, and Federal Government. If such taxes are harmonized and reduced, businesses in the sector will make more profit and investment for expansion and acquisition of more experience to leap into formality.

9. Conclusion

This paper draws its inspiration from the theme of the Conference which expresses serious concern about unemployment in Africa and how it is exacerbating and deepening poverty and disease. The paper went on to establish the empirical nexus between unemployment and poverty in Africa. This was to inform the paper whether there was any objective reason to pursue any policy of employment creation and if unemployment and poverty are positively related. Results from the fixed effect panel regression indicated positive relationship between poverty and unemployment even though the relationship was not statistically significant coupled with a weak R-squared (R^2). The explanation was that the statistical insignificance of the regression result was as a result of the large informal sector in Africa. This result persuaded the author to probe into the employment capacity of the informal with the hope of understanding its content and context as well suggesting sustainable strategies for employment created in the sector and how to re-focus the informal sector for optimal benefits to African economies.

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