

TOPIC: GHANA'S URBAN INFORMAL SECTOR: PERCEPTIONS,
ATTITUDES AND CHALLENGES

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Abstract

There is a rising interest in the informal sector the world all over emanating from the reality that the sector houses a greater share of the active labour force. The informal sector of Ghana's economy is estimated to provide employment for approximately 80% of the active workforce. After over 50 years of independence, Ghana is struggling to grow and transform its informal sector as it still operates on rudimentary methods making the future very precarious. The study adopted the qualitative approach and sought to examine the perceptions, attitude as well as the realities and challenges of the urban informal sector with the Ghana National Association of Garages (GNAG) and the National Association of Beauticians and Hair Dressers as a case study (NABH).

Findings of the study indicated that, the urban informal sectors absolves the academically weak or people who perceive themselves as weak academically. Perception amongst the urban informal sector is that, formal sector employment is rewarding than informal sector employment, operators don't see themselves as entrepreneurs and commits a lot of errors in their operations. This explains some of the reasons for the stunted growth and the limited transformation experienced in the sector. However, there is still hope or the sector if efforts are made to regularize the sector through the data capturing, encouraging the formation of vibrant and registered associations, reorientation of the perception of the operators through capacity building and training whilst creating the necessary conducive micro and macroeconomic environment for their operation.

KEY WORDS

Urban informal sector, Perceptions, Attitudes

Introduction

Varied opinions have been expressed regarding the definition of the informal sector of an economy the world all over. Hartz (1973) defined it as the “unregulated economic enterprises” whilst Smith (1994) identified it as the “market base production of goods and service, whether legal or illegal, that escapes detection in the official estimates of the Gross Domestic Product (GDP)”. These definitions holds as the informal sector of the Ghanaian economy is relatively unregulated with data on the size and contribution of the sector largely based on approximation. The sector is estimated to house approximately 80% of the entire work force (Osei- Boateng and Ampratwum, 2011).

Amankwa (1999) traces the origin of Ghana’s informal sector to the beginning of colonial capitalism in the then Gold Coast and classifies the informal sector into the rural and urban informal sectors. Structuring agriculture and cottage economic activities under the rural informal sectors; services like hairdressing, garages, carpentry and other artisans categorised under the urban informal sector. According to Yankson (1992) “the typical urban informal sector enterprise is individually-owned and operated, generally for less than five years duration”. The average size of employment is four though the number may vary with the nature and type of activity from sole ownership to partnership and family ventures as well as cooperatives. Tokman (1992) views the sector as a source of income for the poor and also associated with less productivity and excluded workers. Portes and Schauffler (1993) however believes that the sector has the potential to achieve high levels of productivity through the dynamic, entrepreneurial character of the micro enterprises which compose of this sector. Ofori (2009) identifies Ghana’s urban informal sector as characterized by the absence of official protection and recognition, predominance of self employed work, low income and wages coupled with little or the general lack of job security.

Interventions to the sector from both governments and development partners includes the provision of technical and entrepreneurship capacity under programmes like the Skills Development Fund (SDF), Rural Enterprise Project (REP) amongst others. However, the expected transformation is so visible and the sector appears stunted in growth. Is it therefore the case that, the perception, the attitudes as well as the mistakes being committed by the micro enterprises and individuals are the causes for the stifling growth? Are there any prospects and challenges for the urban informal sector in Ghana? The papers assess the

perception, attitude the members Garages and Beauticians in the quest to explain the realities for the stunted growth of Ghana urban informal sector.

Methodology of Study

The research design for this research was the case study approach. It was adopted because it has entails the procedures and techniques of investigating and understanding the dynamics of a particular contemporary system. Area of the informal sectors investigated included perceptions and reasons for operation, attributes of the workforce in the sector as well as the common mistakes and challenges.

ILO (1997) identified the urban informal sector of Ghana as comprising of Services which embodies food vendors and processors, health and sanitation workers, domestic worker, garages, graphic designers audio visual workers hairdressers and barbers. Other constituents of the sectors are the construction workers and manufacturing. The selection of sample frame and sample units adopted the multi stage approach. The entire informal sectors set the stage as the population for the study with the National Association of Beauticians and Hairdressers (N. A.B.H) as well as the Ghana Association of Garages (G.N. A. G) selected as the sample frame for the study. The justification lies in the fact that, amongst the operators in Ghana's urban informal sectors, the N.A.B.H and G. N. A.G are vibrant and relatively organised to facilitate data collection. Secondly, these associations have been beneficiaries of various programmes and project by the government and yet the expected transformation has not been achieved. To make data representative, a third of the Regions in Ghana were randomly picked leading to the selection of Western, Eastern and Brong Ahafo Regions of Ghana. From the sample frame, one association was proportional selected. The association were Techiman, branch of National Association of Hairdressers and Beauticians, the Assin Fosu and Suhum branches of the National Association of Garages. From these associations 50 members were purposively sampled from each of the associations. Overall, a total of 150 respondents were sampled

Primarily, Questionnaires and interviews were used to gather information from the members of the associations. The questionnaires combined both open and close ended approaches to allow the collection of reliable and accurate data. Secondary sources of data such as periodicals journals, reports and other publications were consulted. The qualitative

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techniques of data analysis with emphasis on the narrative and descriptive approaches were used.

DISCUSSIONS AND FINDINGS

Profile of Respondents

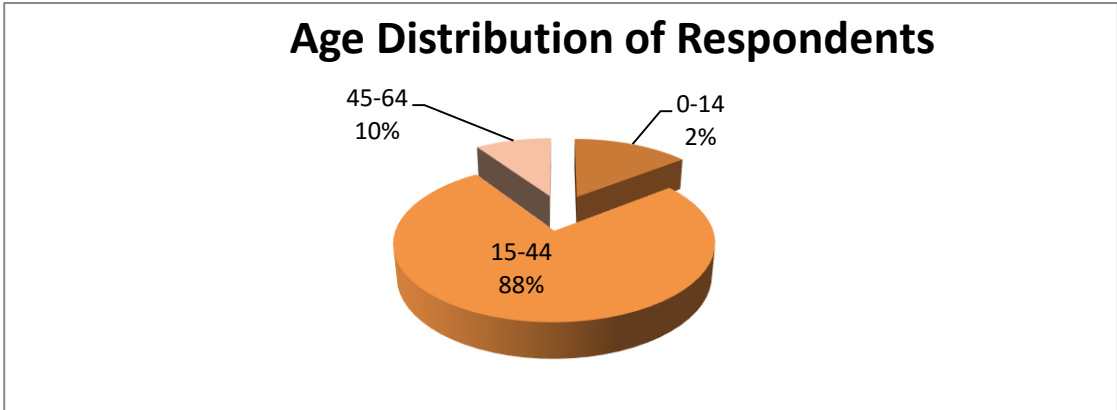
The urban informal sector is constituted by both males and females with diverse ages and educational background. Within the sector however, some of the economic activities are thought of to be for males due to the physical strength required and vice versa. Of the 150 respondents sampled, 97 were males as against 53 females.

Table 1: Profile of Respondents

Associations	Total number	Sex	
		Females	Males
Assin Fosu Garages	50	3	47
Suhum Garages	50	1	49
Techiman NABH	50	49	1
Total	150	53	97

Source: (Field Survey, 2015)

Out of the total 100 respondent from the Garages, only on 4% were women specifically into upholstery and auto spraying whilst out of the 50 hairdressers sampled only 2% represented men. The Garages is seen as a male dominated area with a few daring women whilst the females dominated in the category of the beautician due to the fact that less physical strength is required. There are no hard and fast rules concerning age in the sector; however dominant in the sector is the active age group of the Ghanaian economy as figure 1.



Source: (Field Data, 2015)

The age distribution presents a situation where a good proportion of the active workforce is located in the urban informal sector. 88% of the respondents were between the ages of 15 and 44 with approximately 10% belonging to the category of 45 to 64. Worth noting is the reality that only 2% of the workforce in the urban informal sector were from the category of 0-14years. This suggests that the organised association of the urban informal sectors is hostile to minors and does not encourage child labour and also suggest the acceptance of education as a very important tool for life. The level of education of the respondents are presented in Table 2

Table 2: Education in Ghana’s Urban Informal Sector

Associations	Total number	Level of Education					
		None	Middle School	Primary	JHS	Tech/ Vocational	Senior High
Assin Fosu Garages	50	10	5	10	23	2	-
Suhum Garages	50	11	4	9	23	3	-
Techiman NABH	50	15	10	12	13	-	-
Total	150	36	19	31	59	5	0
Total in Percentages	100%	24%	12.7%	20.7%	39.3%	3.3%	

Source: (Field Data, 2015)

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The informal sector is constituted by a workforce with relatively low educational background. The highest level of education amongst the workforce is a technical or vocational education which is only 3.3%. Significantly 39.3% of the work forces are with the Junior High School Certificates, 20.7% and 12.7% represented respondents with Primary and Middle School Leaving Certificates whilst 24% basically have no education. This is very consistent with the general assertion that, the workforce in the informal sector is characterised by people with low levels of education.

Reasons for Operating in the Urban Informal Sector

Respondents had various reasons for joining and operating in the urban informal sector. Suffice to note is that a significant proportion of the labour force were in the sector not by choice or passion but purely for survival. Respondents indicated various reasons as indicated in Table 3.

Table 3: Reasons for joining the Urban Informal Sector in Ghana

Reasons for chosen carrier	Total number of people	percentage
Lack of funds to further education	15	10%
Passion	25	16.7%
Poor academic performance	60	40 %
Choice of Parents	35	23.3%
Vocation available	5	3.3%
Neutral	10	6.7%
total	150	100

Source: (Field Data, 2015)

Various reasons were given by the respondents for the choice of vocation. 10% of the respondent joined the sector for the lack of funds to further education after the primary or Junior High School level due to poverty or loss of parents although they were academically good. Stunning is the fact that, 60% of the urban informal workforce were in the sector due to poor academic performance at the basic level. This suggests that the informal sector of the

Ghanaian economy largely absolves people who perceive themselves as poor academically and further explains the high illiteracy rate in the sector. Interestingly only 16.7% indicated they had a passion for the chosen vocation and are satisfied and content with it; 23.3% indicated they were compelled by parents to undertake their chosen vocations. The issue for contemplation is whether the reason and motivation for joining the urban informal sector could be amongst the subtle reasons why the sector has not enjoyed the kind of transformation expected?

Perception and characteristics of the urban informal sector

The general perception amongst the sampled urban informal sectors workforce was that, the sector is for the academically weak and poor as 93% of the sector workforce agreed strongly to that assertion. Suffice to note is that, this perception is like a canker affecting the attitudes of the workforce and their ability to view themselves as entrepreneurs who are contributing significantly to the growth of the economy. Approximately 83% envisaged their various vocations as a means for daily survival and do not believe they can grow a big organisation out of it.

Another worrying perception amongst the sector is that “**formal sector employment is rewarding than informal sector employment**”. All respondents agreed strongly to this claim and were quick to list all the benefits that come with the formal sector. Specifically respondents indicated access to loans, security after retirement and prestige as some of the major benefits but could not indicate any benefit from their operation in the urban informal sector apart from it being a source of survival. Out of the people sampled, 75% could not to indicate any achievement from their business operations except as income. However, 15% had acquired some assets out of their operations whilst 10 remained neutral.

It is worth noting that 65% of the respondents had not heard of the word “**Entrepreneurship**” before, 30% had heard about it but saw their businesses as too small and for that reason, did not see themselves as Entrepreneurs; only 5% remained neutral. Another perception amongst the urban informal sector workforce was that, “**they were nobodies, who knows nobody and have nobody**”. This opinion about themselves is further worsened by the myth that, people

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with the ability and capacity to grow business are those of high educational background, rich or people who are born with the management skills.

Attitudes in Business Operations

Probing further, respondents were assessed on the characteristics exhibited in their business operation. Eleven key characteristics of entrepreneurs were explained to them and they were asked to indicate the ones they have demonstrated over the last three years and the responses are indicated in the Table 4.

Table 4: Attitudes within the Informal Sector

Characteristics	Responses in Percentages			Reasons
	Yes	No	Neutral	
Risk Taking	55%	40%	5%	55% were risk takers with 40% being risk averse for fear of losing their capital
Opportunity Seeking and initiative		80%	15%	Limited due to inability to even identify an opportunity
Persistence/Determination	75%	25%	-	Persist to ensure their business thrive as it the source of livelihoods
Information Seeking	5%	90%	5%	Most member don't know where and how to access information
Goal Setting	10%	85%	5%	Member operate without any clear goal or objective
Commitment to Work	55%	45%	-	Source of income
Persuasion and networking	2%	98%	-	Lack of trust
Demand for Quality and Efficiency	25% %	73	2%	Lack of quality tools and the requisite knowledge limits

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				the quality of work done
Independence and self confidence	45%	50%	5%	Intimidated by customers
Hard working	70%	25%	5%	To get income
Creativity and innovation	40%	60%		Operators learn and copy what is trending

Source: (Field Survey, 2015)

The table above is a presentation of the reality in the urban informal sectors of the Ghana. Out of the eleven character indicators assessed, only four of the indicators had been exhibited by over 50% of the respondents. This is the reality on the ground micro business are not doing well due to wrong attitudes in managing the businesses.

Common mistakes identified with the urban informal sector

The sampling of the respondents also brought to the fore some common mistakes apparent amongst the urban informal sector in Ghana. About 80% of all the respondents had committed all the mistakes during the last three years of operation. Table five is presentation of the common mistakes.

Table 5: Common mistakes prevalent in the Urban Informal Sector

Common Mistakes	Reasons
Lack of experience	Players in the sector do not get access to any training after completion of apprenticeship neither do they have any technical person to mentor and monitor their activities at the various workplaces.
Poor Financial Control	Cash flow is extremely low and the little that trickles in is mismanaged. Eg About 85% person of hairdressers engaged in impulse buying
Insufficient capital	Poor saving culture and lack of access to credit to invest in business dues to operators' inability to meet the conditionalities of financial institutions.
Poor Management of business	About 90% of respondent had no information on how to plan, organise, direct, control and coordinate affairs in their business
Poor location	Operators site business anywhere so long as there is an available

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	space to accommodate shops
Improper inventory control	Most cannot read and write and keeping records is not a common practice amongst the operators. The only records kept by a few 10% is a cash book
Incorrect pricing	The only factor considered in fixing prices are the cost of materials used and the time spent on a job.
Un registered Business	Most of the informal sector business operates illegally as most of them are not registered. This prevent access to credit to propel growth
Occupational Health and Safety issues	The awareness on occupational health and safety is limited in the sector. Operators do not use the right protective attire for work

Source: (Field survey, 2015)

It is not a surprise as to why the urban informal sector of the economy has not been able to transform itself to meet current trends globally. There is a general lack of direction and players operate only to sustain livelihoods. With trends like this in a sector that engages a greater proportion of the entire population of Ghana, there is the need to put in place the necessary structures to transform this informal sector if Ghana really hopes to ensure a transformed economy as a lower middle income country.

Prospects and Challenges

It is evident that there are pertinent issues in Ghana’s urban informal sector, there are still some prospects and the country stands to benefit if the sector is given the needed technical and financial support.

Youthful Population

Ghana is a developing country with a youthful population. There is the opportunity for the informal sector to thrive due to the availability of a lot of young people. The sector presents a good alternative to the country’s teeming unemployment situation especially amongst the youth from the secondary, the technical and vocational bracket as well as the universities. A national reorientation of the informal sector can encourage a proportion skilled labour to be engaged and to help transforms the sector.

Source of Income and livelihoods

In the past, the sector has generated employment and income for individuals and households at the micro level and at the macro level; the few operators captured have been a source of revenue through the payment of taxes to central government and the local government as a whole. This avenue has not been exhausted as the formal sector is not capable of engaging all the work force; there is still the potency for the informal sector to expand thereby creating employment, income and livelihoods for Ghanaian.

Social Asset

Aside the informal sector serving as a means of employment and livelihood for the players, one very important opportunity is the social exposure that comes with working in the sectors. The labour force is exposed to all categories of people from different status in society. This is a form of a social contact which is an asset and a good opportunity for networking across the formal and informal sector.

In spite of these prospects, however, the myriad of challenges affecting the sectors paints a rather gloomy picture for the future of the subsector. The challenge emanates from the internal and external environments within which business in the formal sector operates

First of the challenges is the access to credit, although the liberalisation of banking in Ghana has facilitated the influx of commercial, development, micro finance and saving and loans institution, one major problem of the informal sector is access to credit. About 85% indicated lack of capital and the difficulty of accessing credit as a major challenge for their businesses.

Poor pricing of services

Another issue bothering the sector is poor pricing of services. Most of the actors in the informal sector appear not to have a well structured system to price services. There were indications of situations where prices of services rendered were set arbitrarily. This they attributed to the lack of unity and coordination amongst the association thereby making it impossible to set a fixed price for services rendered. Aside the issues with the pricing, it came out that customers sometimes refuse to pay for the services rendered most often than not, they do not appreciate the service rendered.

Attitude of the Public

Interestingly, it was indicated that although the general public who engages the services of the informal sector workers demand for quality and efficient jobs, they do not appreciate the activities involved in the industry and sometimes mounts unnecessary pressure which tends to affect the quality of delivery of service.

High influx of imitations

The inputs required for the operation of the informal sector are mostly imported and the operators have none or very little control about the quality of the inputs. This affects the quality of services they render to the general public and 60% of the respondent has suffered losses due to the procurement of imitation from the market

Problem of waste disposal

The respondents indicated the health and safety as well as environmental hazards they operate under due to the waste generated by their operations and the neglect by local authorities with respect to assistance in creating a dumpsite for such waste. They indicated their inability to dispose waste safely leads to health problems for the stakeholders and the state as a whole.

Lack of technology and the use of outmoded tools

With the current trends in the globe and the availability of different technology and tools, the informal sector operators in Ghana are stuck with the use of outmoded tools coupled with a low level of technology. About 65% of the respondents still used the tools they procured right after passing out as apprentice and have not added on due to lack of finance and the high cost of tools, plants and machinery in Ghana.

Apathy of the youth toward the informal sector

It further came up that, the youth in Ghana today don't show any interest in the informal sector. The respondents indicated that the young people don't come in to be trained as it used to be. This they attributed to the fact that the living conditions of the informal sector workers are not attractive enough to motivate the youth to join. This has resulted in the non-availability of apprentice in the various work places. About 10% indicated there are instances

where they have had to approach some young people to come in for free training but they still would not come. The few who join are also not able to use the skill acquired due to the difficulty of getting start up capital. The result is that most talented apprentices who could have contributed to the industry ends up as either drivers or petty traders. This situation posed as a great threat to the future of the informal sector.

Irregular supply of power and high cost of electricity

The recent power challenges in Ghana have further complicated operations in the informal sector further contracting it. Respondents indicated difficulty in getting power to undertake their activity in spite of the high charges they pay. The issue of high taxes also has further compounded their issues.

Limited access to Governmental Support in their operations

There responded lamented on the lack of governmental support as also affecting the industry. This was because operators in the sector are on their own and in situations where association are formed, not much is achieved as the association turns to be weak and not strong enough to push for support from the government and other development partners.

Recommendations

Prioritisation of the Sector

The formal sector of the economy is not able to fully engage all the labour force available. It is incumbent on governments to make the informal sector a priority. Over the years a lot of interventions have been made, however the political will to ensure commitment and continuity has been lacking. To help grow the Ghana economy as a whole, the informal sectors which engages majority of the workforce should be a priority. The ability to restructure and transform the sector alone can have a multiplier effect in assist to reduce poverty and vulnerability in general. Governments committed to ensuring equality in terms of development should make the informal sector a priority for the reason that it provides employment and livelihoods for over 50% of the entire workforce and holds the key to increasing productivity in the country.

Collation of Data

Available data on the percentage of workforce engaged in this sector is relatively based on approximation. There is the need for a census of the workforce in this sector to collate baseline information of all the players in the sector, the category of economic activities, percentage of women and men engaged educational levels amongst a host of other vital information. To ensure its effectiveness, the MMDAs may be tasked to conduct the census and furnish the regional coordinating councils with the information. The data from the regions may then be coordinated into a national record for planning, regulation as well as the formulation and implementation of intervention to remedy the numerous contentions of the sector.

The need for a national reorientation

As indicated earlier, there is a general perception that the informal sector is for drop out and it is confirmed by the educational levels of the respondents interviewed. Interestingly, this perception is not associated with only the general public alone but also with workforce themselves. This is a disincentive for the youth and a reason why ordinarily people are not willing to join sector. There is the need for a national reorientation in terms of policy, education and investments in favor of the informal sector as a strategy to whip up the interest of other to get involved.

Attitudinal Change and Capacity buildings

It is an undeniable fact that a lot of resource is being channelled into both technical and entrepreneurial capacity building for this sector by the government and other nongovernmental organisations. However, there are still a lot of gabs as perceptions and an attitude in the sector needs to be changed. Capacity building programmed should have modules not only on entrepreneurship and technical skill but attitudinal change as well.

Strengthening the Institutions

Building capacity of the workforce alone is not enough to salvage the sector due to the myriads of mistake made and the practices in place. It is imperative to resource and strengthens the institution in charge of the informal sectors with the right kind of personnel and logistics to make training, monitoring and evaluation effective.

Conclusion

The urban informal sector of the economy is a vibrant sector employing and providing livelihoods for a significant proportion Ghana's active population. Since independence, governments have made effort to transform the sector through financial and non financial programmes and projects. Unfortunately, the impact of these packages is not felt in the operation of the sector. The paper has revealed that the operators in the sector are operating with the wrong perception and attitudes in the midst of a lot of errors. It is not surprising why all efforts by development partners and the governments are not yielding the right kind of results. With Ghana's status as a Lower Middle income earning country, efforts at transforming the sector should not be skewed towards only the provision of technical, financial and entrepreneurial skills only but the need for a changes in attitudes and perceptions as well. This is because without the right perception and attitude no amount of support can transform the sector to compete globally.

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