

## EPISTEMIC REFLECTIONS ON THE TRADITIONAL PERSPECTIVE OF THE INFORMAL SECTOR IN DEVELOPING COUNTRIES: EVIDENCE OF THE FAILURE OF ITS TRANSIENT PREDICTIONS IN AFRICA

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**Abstract:** Contrary to the predictions that the informal sector in developing countries, particularly Africa is marginal and exhibits tendency to disappear as most of these nations' experienced satisfactory level of economic development. The informal sector has not only increased in intensity, it has grown to dominate economic activities in Africa countries. The purpose of this paper is to examine the epistemic reflections of the traditional view of the informal sector in developing countries vis-à-vis evidence of the failure of its transient predictions in Africa. To achieve the objectives of this paper, systematic review of literature on these issues were presented and discussed. The paper revealed that the growth of the informal sector has occurred in connection with declining competitiveness and productivity performance in Africa resulting to rising economic depression, growing unemployment and poverty level among others. Additionally, the informal sector has been generally neglected and has suffered severe discrimination in a number of important dimensions; hence, there is growing neglect and political will to propel the transition of the informal sector into formal economy. Against the aforementioned backdrops, the paper concluded that though, the informal sector is neglected, it has however, come to be a key components of the Africa economy. Similarly, against the apparent economic challenges presently ravaging most Africa countries, the informal sector will continue to gain popularity. On this note, the paper recommended the need to promote equitable linkages between the informal and the formal sector through appropriate inclusive policy framework with a view of increasing the wider development implications of the informal sector initiatives, as well as the political and institutional barriers that impede its activities and growth.

**Keywords:** informal sector, formal sector, informal workers, unemployment, sectoral linkages, productivity performance, Africa.

## 1. Introduction

The structure of the Africa economy reflects her developing nature; where primary sector dominate the economy and the industrial sector (comprising manufacturing, mining, and utilities among others) accounts for a smaller percentage of economic activities. History has shown that no nation can rely solely on exportation of natural resources to attain economic progress without consistently developing a strong industrial base and well developed services sector. Remarkably, Africa jobless pattern of growth has left many with no option of either joining the informal sector or taking up job oppourtunity at the bottom of value chain. According to Omar (2006), there are two methods to conduct activities in the economy: formally and informally. As expressed by Schneider (2002), informal economy is characterized by unregistered businesses that are not accommodated in the computation of nation's Gross National Product (GNP). On the other hand, formal businesses or employment engages in businesses that are within the purview of the government. The informal sector consists of numerous activities that have become a vital part of overall economy in both developed and developing countries; although its growth tendency is more in developing nations.

The informal sector or informal economy goes by numerous nomenclatures such as transient sector, shadow, hidden, or underground economy among others and it play a significant role in employment generation and sources of revenue earning. Ever since informal sector was promoted in Africa by Keith Hart in the early 1970s, it has become a topical issue and has been subjected to divergent analysis (Hart, 2008). Report published by McKinsey Global Institute defines informal businesses as a pests contending unlawfully with law-abiding or prescribed corporations, thus, informality, should be blocked and restricted (Farrell, 2004). Informal sector, according to Trebilcock (2005), is a form of economic activities which for numerous motives, are not completely covered by formal arrangements nor accounted for in the national income accounts. Becker (2004) posits that the informal sector contributes to the nation's economy but its operations in terms of registration, tax payments, licensing, employment procedures, or regulations are insufficiently accommodated within the purview of the formal economy. In other words, economic activities of the informal sector occur outside the structure of bureaucratic public purview with the consequence of functioning contrary to the norms and regulations of the government (Hart, 2008). Generally, informal sector businesses cut across, peddling, street hawking, retail transaction, small scale artisan, fashion design, and repairs and maintenance works among others.

The informal sector in Africa is nearly comparable to the formal sector in term of her GDP size and self-employment which constitutes a larger portion of the informal sector employment than wage employment (Schneider, 2002). For illustration, the global informal economy is in the tune of \$10 trillion and represents 80% of workforce across the globe (Claro, 2012). Explicitly, self-employment accounts for 81% of informal employment in Sub-Saharan Africa (excluding South Africa), 62% in North Africa, 60% in Latin America, 59% in Asia, and in Central and Eastern European nations it is approximately 40% of the official Gross Domestic Product – GDP (Swedish International Development Cooperation Agency – SIDA, 2004). According to SIDA (2004), home-based workers and street hawkers are the two biggest subgroups of the informal workforce in developing countries; in sum, they account for 10–25% of the total workforce. Within the two clusters, women's account for 60-80% shares of informal economy employment worldwide (SIDA, 2004; Women in Informal Employment Globalizing and Organizing – WIEGO, 2012). As a result of growing unemployment, young people, internal migrants and immigrants also featured actively in informal sector employment (SIDA, 2004).

Among the Organization for Economic Co-operation and Development (OECD) countries, the average proportion of informality is 17% of Gross National Income (GNI) in developed countries, about 40% of GNI in developing countries, and in transition economies it is 38% of the GNI (Omar, 2006). In general, the increasing recognition of the informal sector has expanded in both developed and developing nations; nonetheless, Portes, Castells and Breton (1989) maintained that in view of its distortion tendency, no development strategy and growth is expected from the informal sector. In line with the above notion, informal economy is most often linked to illegal activities that should be eliminated (Muyeye, James, & Antonia, 2011). These scholars stated further, that though reality may confirm the aforementioned impression, its flexibility provides some degree of support to cope with numerous economic challenges confronting the developing nations. Thus, the increasing number of informal sector activities in both developed and developing nations is viewed as a restraining factor to investment, growth and economic development (Becker, 2004).

On the contrary, the above belief has been challenged particularly in developing countries where unemployment is growing and poverty level is becoming widening yearly which consequently increase informal sector activities (Roseline, 2007). In the opinion of Becker (2004), in a country where income is not equally distributed, the informal sector will continue to expand. Strabu (2005) articulates similar sentiment and alludes that the informal sector is a form of traditional economic activities with marginal growth tendency; hence, it will fade along with industrialization and modernization. This position is similar to that of International Labour Organisation – ILO (2002) that advocates that informal sector is best perceived as a transitory phenomenon, or as an occurrence that will unswervingly diminishes with economic growth.

According to Marta and Alexandra (2017), evolving business models for the informal sector in Africa are uncertain and a growing body of proof exposes the dark side of strengthened connections that will create productive value chain due to growing vulnerability and poverty. In developing countries context, the prediction that the informal sector will disappear is inappropriate given the structure and characteristics of the labour market; which is generally dominated by informal sector employment (Schneider, 2002), hence, the informal sector has not only persisted but grown both in term of output and employment in many Africa countries (Maloney, 2004; Strabu, 2005; Perry, Maloney, Arias, Faynzylber, Mason, & Saavedra-Chandivi, 2007). Given the aforementioned research background, the objective of this paper is twofold. First, the paper seeks to evaluate the debate concerning the transient nature of the informal sector activities vis-à-vis the factors that account for the failure of its transitory assumption in Africa. Second, the paper attempts to provide a comprehensive picture of the informal sector in Africa with a view of deepening understanding of its activities, role and hindrances for its transformation to formal sector.

## **2. Theories related to the Informal Sector**

Given the divergent view and varying characterization of the informal sector, some of the theories underpinning it are descriptive in nature whilst others are explanatory. One of the earliest theories of informal sector is Lewis (1954) theory of economic development. According to this theory, as the formal sector progresses, the demand for labour rises to accommodate the excess labour generated, which consequently results to a shrinking informal sector. This theory dominated discourse of informal sector in 1950s and 1960s in the aftermath of nations' rebuilding in Europe and Japan. Another notable theory relating to the informal sector is the dualistic/segmentation versus free mobility labour markets theory. The dual labour market theory categorizes the labour market into four: primary, secondary, informal, and illegal and these classifications reflect the class, cultural, and gender stratification in our society (Saint-Paul, 1997). The dualistic approach states that employees enhance his/her welfare by receiving streams of incomes contingent on the sector he/she was employed (Lewis, 1954). The segmentation or "exclusion theory" proposes that the informal sector employment is a reaction to spontaneous unemployment, hence, job seekers who could not secure formal jobs due to strict access barriers or lack of requisite qualifications automatically resort to informal sector to earn a living (Stiglitz, quoted in Jeremy, Kun, & Sacha, 2013).

The self-selection theory consider informal employment as employees' voluntary choice, which may emanate from issues such as independence, preference to operate outside strict rules and protocols, better aptness to private desires and features, or monetary gains, which may not automatically be lower to what is obtainable in the formal economy (Grunther & Launov, 2006). Stolper-Samuelson Theorem/Heckscher-Ohlin (HO) model is another landmark theory that has contributed significantly to the study of informal sector (Verick, n.d.). This theory assumes that trade liberalization which is a key element of the globalization process will lead to upward shift in demand for labour-intensive exportable goods in developing countries (supposing that it is relatively abundant), resulting to an upsurge in its price and wages for those working in this sector. Fosu (2002) contends that the rudiments of the above assertion is a simple 2x2x2 macro-economic model – two goods, two factors, and only two countries, hence, the theory portrays no dissimilarity between the informal and formal sectors. Furthermore, once the assumptions (perfect factor mobility) and no externalities or other market imperfections, are relaxed or disrupted, the analytical strength of this theory becomes more complex (Winters, 2002).

Subsequently, the academic community saw the emergence of mainstream theory which elucidates the relevance of the informal sector with its eventual amalgamation into the national economy. Characteristically, the mainstream theory regards informality as a reality, having 'its own right, with its own rubrics, settings and typical approaches of operation (Harding & Jenkins, 1989). Proponents of this theory castoff the philosophies of economic dualism and social marginality and they do not view the informal economy as a form of economic undertakings carried out in a marginal society. In essence, the mainstream theory is characterized by its explanatory clout and acknowledged the linkage between the formal and informal sectors. Correspondingly, two other significant theoretical approaches, largely as an extension developed: the first is the purported 'production-rationale' approach and 'illegality based' approach. The production rationale theory highlights the power of the state in the economic progression and sharing of resources. On the contrary, the illegality based theory promotes the traditional economics (*laissez-faire*), where state interference and regulation is not required. Notwithstanding the potency of the two theories, Guerguil (1988) criticizes these theories for their failure to institute analytical context and quantifiable indicators. Later on, tax evasion approaches, optimal taxation or social welfare theory emerges within the framework of the mainstream theory. The tax evasion theory exemplify the central roles of tax evasion i.e. attitude of tax-payers, religious belief, perceived fairness etc. (Feige, 1990). The theory of optimal taxation or the social-welfare-maximizing approach focus on the modalities for structuring tax policy which maximize economic well-being as defined by the social welfare function (Anuradha, Wilson, & Christopher, 2012).

### 3. An overview of the Informal sector

A review of literature reveals that there are three schools of thought on the informal sector. The first is the dualist school, promoted by the ILO in the 1970s, these school advocates that the informal sector embraced minimal economic activities, different from and not connected to the formal sector (Hart, 2008). The second school of thought is disseminated by Caroline Moser and Alejandro Portes (among others) in the late 1970s and 1980s. These scholars subscribes to the idea that the informal sector should be comprehended as subordinated economic components (micro firms) where employees are oblige to lessen input/labour costs; which further escalate the attractiveness of large capitalist firms. The third school, labeled as the legalist school was advocated by Hernando de Soto in the 1980s and 1990s. The position of this school is that the informal sector encompassed micro industrialists who choose to function informally in order to save the costs, time and energy of securing formal business registration (de Soto, 1989). In general, there are incongruities regarding the definition and measurement of informal sector across the globe. Harding and Jenkins (1989) posit that literature on the ‘informal sector’ is troubled with terminological confusion. Thus, the narrative of the informal economy has lent itself to numerous descriptions (Leandro, Andrew, & Mehmet, 2016). Common vernaculars used to label “informal sector” consist of: open market economy, firm-centered economy, black market era, the subterranean economy, and irregular economy among others.

The complications regarding the definition of the informal sector have been succinctly described in a paper published by Singer in 1991 (cited in Menyah, 2009). He views the informal sector as a giraffe; very difficult to describe, but can be recognized. Grey-Johnson (1992) concurs with Singer (1991) view and posits that numerous efforts to define the informal sector gloom even before actualizing the intention. In his view, informal sector is vague, blurry, and a fuzzy like construct that is surrounded with confusion. For instance, Becker (2004) describes the informal sector as uncontrolled, non-formal area of the market economy that manufactured goods and services for sale or for the sake of income generation. Fapohunda (1991) posits that the informal sectors are heterogeneous mix, including extensive economic activities that are not captured in typical computation of economic analysis such as industrial activities, construction, trade and commerce among others. House (1984) defines the informal sector as economic segment encompassing business entity working out of a provisional physical arrangement that encompasses community of traditional craft worker and traders, smaller in size and partake in a variety of business activities that relate to buying/selling of goods and services. Informal sector, according to Portes, et al. (1989, p. 12) “is a practice of revenue generation unregulated formerly in a prevailing situation and context in which comparable business activities are controlled”.

Ajakaiye and Adeyeye (2001) offer a definition that is slightly contrary to the view expressed by Portes et al., (1989). According to them, business concern may operate under state regulation, but still be an informal entity. For instance, a business enterprise operating without formal guidelines to oversee its behaviour in the input and output market as well as its production process is unequivocally an informal business entity.

#### **4. Distinguishing Features and Linkages between Formal and Informal Sector**

From ILO perspective, the dissimilarity between formal and informal sectors is not founded on features of products, production methods and technology, because the same type of goods and services, and possibly identical technology, may be adopted in both formal and informal sectors (ILO, 2002). A more comprehensive list of features that differentiate formal from the informal sector was promoted by Santos (cited in Madhura, 1991). The features listed are: the scopes of the organization, technology, relationships of the enterprises with governments and other institutions, and the nature of product and factor markets. Joshi and Joshi (quoted in Madhura, 1991) illustrate the differences between formal and the informal sectors on the basis of: market structure, technology, and relationship with government. According to Mazumdar (quoted in Madhura, 1991), the distinguishing feature between the formal and the informal sectors is the existence of labour regulation in the case of the former. He further argues that the formal sector is a protected enterprise, the informal sector, according to him, encompassed businesses excepted from legislation. Tandler (2002) offers a more radical perspective that contradicts de Soto's (1989) view regarding the "competitive" nature of the informal sector. According to her, countless informal businesses are characterized by cooperation rather than competition.

Proponents of the dualists assert that both economies (formal and informal) exist and operate independently with few connections. The structuralists, on the other hand, consider the two economies as being fundamentally related. Generally, formal and informal sectors are inexorably linked; however, arguments have lean towards a blurring dissimilarity between the formal and the informal sectors (Mitchell, 1993). A study conducted by Taymaz (2009) adopts firm level data and reported high productivity dissimilarities between formal and informal firms, in sharp favour of the formal sector. He further opines that the relatively poor productivity of the informal enterprises is an impediment to her growth potential. Likewise, La-Porta and Schleifer (2008) acknowledged that the main avenue of economic development is largely the productive formal sector; nonetheless, the informal sector offer means of livelihood for the poor masses; but will ultimately face extinction. As expressed by Fajana (2000) and Martha (2007), the tenacity of

informal business is due to some circumstances; such as limited job opportunities to cope with expanded job seekers, slow pace of economic growth, and/or population explosion. Notwithstanding the perceived poor productivity and competitiveness of the informal sector, Gatti and Honoratti (2008) and Caro, Galindo and Melendez (2012) observed that higher intensities of informality in various forms are connected to less opportunity to credit, which impede their level of economic performance. Nevertheless, the informal sector is characteristically dependent and subservient to the formal sector; with the later manipulating the informal sector to obtain low-priced labour and stipend goods (Schneider, 2002). In the opinion of Bromley (1990), informal enterprises are not only autonomous, but have important connections with the formal sector.

## **5. Informality: Rationality and Issues**

Informality is a strategy adopted to harness capital, promote labour flexibility, to avoid social security responsibilities and other costs associated with the establishment of the formal sector (Portes *et al.*, 1989). Informality, according to Portes and Sassen-Koob (1987) refer to worldwide restructuring carried out in response to economic depression, rising indebtedness and stiff competition from the newly industrial nations during post-war period. According to Chen (2006), informality is not completely a consequence of global economic depression; though some economic characteristics are prerequisite factors for its advancement as a worthwhile approach. For instance, its occurrence has little potency in businesses where capital is extremely concentrated and production process is problematic to decentralise (Portes *et al.*, 1989). Similarly, Weiss (2000) contends that the essential circumstances for the growth of informality are not only connected to the characteristics of an industry or economic sector, but also by the prevailing socio-economic structures (e.g., spread of small-scale businesses, ostracized labour source, condensed scheme of social systems) in a society. In the opinion of Omar (2006), informality is a phenomenon that occurs in time and space. From the viewpoint of time, it refers to post formal-informality and to never-formal-informality. In relation to the first perspective, issues such as high costs of operating in formal sector, poor infrastructure, corruption, complex and discretionary code of practice can motivate the transformation from formal to informal business. In the case of never-formal-informality, the rationale to have preference for informal business lies on the non-existence of tangible benefits.



From the foregoing, informality can result to positive or negative consequences. For governments, informality can be problematic, due to hitches associated with aligning the informal sector activities into national accounting and tax nets (Omar, 2006). In the same vein, the informal sector might also be an answer to growing unemployment and related negative social vices (Justin, Laszlo, Dunane, & David, 2009). Undoubtedly, informality generates jobs and substantial earnings; however, businesses operating under informality lack access to protection within the purview of the state (most especially social security). In addition, it pose other challenges of limited growth oppourtunity to those enterprises who chose to be informal due to limited access to finance, adoption of elementary technology, and succession problems among others (Omar, 2006).

## **6. Traditional View of the Informal Economy: Africa Perspective**

The informal economy is a worldwide challenge in the developing nation. Firstly, because it obstructs economic performance at both national and firm level (Chen, 2006). Secondly, it creates a foremost cause of susceptibility for workers as well as businesses (ILO, 2014), as it offers an abundant jobs that are not secure, usually unproductive and unreliable sources of income (Gunther & Launov, 2012). Thirdly, it is largely insensitive to policy change (Guha-Khasnobis, Kanbur, & Ostrom, 2006), and its evasive tendency makes it problematic to regulate by government (Chen, 2006). In the opinion of Vanek, Chen, Carre, Heintz, and Hussmanns (2014), productivity in informal sector is lower than that of the formal economy, which further places restraints on the nation's economic performance. According to United Nations Economic Commission for Africa (2017), growing informality may be attributed to growth turnout and trade performance which promote sharp deindustrialization, dominance of the public sector and poor connections among the various sectors of the Africa economy.

Early academic thought on informal sector was influenced by the thinking of Lewis Hart (1970; 1973) who claims that the informal sector is a marginal or residual activity that will varnish with the level of economic development in developing countries. This viewpoint is hinged on the conjectures that the operations of the informal sector is a temporary/unconventional substitute to unemployment and poverty ravaging the developing countries and consequently tends to disappear as the productive base develops in these countries (Marcelli, Pastor, & Joassart 1999; Schneider, 2002). Based on this perspective, it was conceived that informal sector would ultimately disappear and be absorbed into the formal economy (Chen, 2006). The inherent flaw in operationalizing the informal sector exclusively as a marginal activity of the less privileged or

excepted was underscore by Williams and Windebank (1998). According to these scholars, a large number of informal workers earn wages comparable to formal sector; similarly, a large number of former workers earn wages comparable to low wages remuneration of informal sector category.

Contrary to the traditional economic theory, the poor are characteristically excluded from the wage-earning employment prospects in most developing countries. Hence, majority earn living by working in the informal economy; largely not by choice, but by necessity (Cull, Tilman, & Nina, 2014). Overall, advocates of the formal economy presumed a shrinking of the dominant irregularities that characterize the informal sector over time and the gradual departure of its dualism attributes in the course of economic development. According to Ybarra (1989), the resurgence of attention on informal sector stems from two factors. First, despite predictions of its eventual demise in developing countries, the informal economy has not only grown in many developing nations but has also emerged in new guises. Second, despite continuing debates about its defining structures, supporting and transforming to formal sector, informal enterprises are increasingly becoming enlarged in term of scope and context. Portes and Sassen-Koob (1987) contended that not only has the informal sector not wiped out, on the contrary, (informal activity) seems to be growing, at least in some sectors. Berger and Piore (1980) observed that even where there has been an outright drop in the activities of the informal sector, it still account for a sizable volume of economic activities.

## **7. Discussion**

From the early seventies when the informal sector was documented as a phenomenon in the academic literature, numerous scholars and policy analysts subscribed to the notion that the informal sector in developing countries is marginal and not properly connected to the formal sector. More importantly, some writers maintained that the informal sector in developing countries would vanish as soon as these countries attained satisfactory stages of industrial growth and economic development (Marcelli et al., 1999; Schneider, 2002). In other words, informal sector is most often viewed as a transitory occurrence which weakens alongside with the level of economic growth, hence, it will eventually transform to a formal sector. Largely, a significant proportion of the aforementioned scholars claimed that the informal sector entrepreneurs constitute economic nuisance and need to be incorporated into formal economic setting or eradicated totally. Others view the informal sector as susceptible and defenseless business entities that need to be assisted and protected (Dada, 1995; Ajakaiye & Adeyeye, 2001).

Contrary to those who hold the view that the informal sector is a transient phenomenon in Africa, the contributions of the informal sector to the growth of most developing nations and Africa in particular is enormous in terms of employment opportunity, wealth creation, linkages with other sectors of the economy, application of local technology, and promotion of entrepreneurship training among others. Generally, the informal sector offer a platform through which people who lose their jobs in the formal sector leverage on to cope during tough times and make ends meet. In addition, the informal sector serves as platform that offer buffer for the teeming unemployed youth and provide additional source of earning in a low-wage labour market that characterized Africa current economic realities. Beyond doubt, the informal sector in Africa no longer reflect a temporary phenomenon that earlier dominated its operationalization in most literature. Perhaps, the informal sector is here to stay, although, scholars, business practitioners and policy analysts will continue to advocate contradictory standpoints on its transient nature.

Notably, critics of the informal sector consider it as a menace or social problem, while its advocates view it as a remedy to economic stagnation. Nonetheless, given the Africa level of economic development, the informal sector will be on the increase due tight business regulation, rising poverty, lack of statutory social protection, lack of coherent policy framework to propel formality, growing African mentality to circumvent regulations and licensing requirements, weak check and balances in government circle resulting to high propensity/preference for lobbying instead of exhibiting citizenship behaviour, and declining capacity of the formal productive sector among others. Similarly, the rising government recurrent expenditures in most Africa countries which have little or no long term impact on the economy, poor budgetary formulation and implementation, and rising profile of Africa indebtedness have slow down economic activities and decline productivity performance. More worrisome is the fact that lately, most Africa nations with the exception of few (such as Mauritius, Egypt, and South Africa) economy has not shown any signs of economic recovery, and the growth in virtually all sectors is dwindling. Based on the foregoing, the transient prediction of the informal sector may not occur as fast as might be expected with the prevailing slow economic growth in Africa and without a doubt may be rising.

## **8. Conclusion**

This paper examines the epistemic reflections of the traditional perspective of the informal sector in developing countries and provides evidence for the failure of its transient predictions in Africa. The informal sector is very vital to the economic development of Africa because of its contribution to employment opportunities, productivity, financial revenues, and economic

growth. Likewise, informal sector in Africa is huge, and it has exceptionally low productivity compared to the formal economy, thus, evaluating the growth tendency of informal sector is vital due to little or no social protection or concrete benefits to the operators.

A relatively large informal sector may not be bad for economic progress of any nations because within this sector self-motivated capitalists can develop markets with abundant opportunities that may be eventually transformed into the formal economy. The aforementioned claim is hinge on the fact that despite the economic realities and hostile business environment in most Africa nations, the informal sector businesses are thriving and have developed the entrepreneurial capability and organizational configurations that can propel formalization of business activities in the informal economy. In general, business enterprises operating in the informal sector have the potential that could flourish if concerted effort is made to address some of the major obstacles impeding their growth. In conclusion, the prevailing degree of informality of business enterprises in Africa can be attributed to declining decent work and low competitiveness of existing business firms. As a result, developing nations require a deeper understanding of the scale of informal economic activity and how it can transit from the informal to the formal sector. As expressed by David (2017), the growth of the informal sector in developing countries is a sign of the inadequacy of institutional settings essential to safeguard the formal employment growth pattern; as such the informal economy is expected to remain a foremost issue, regardless of the economic growth rate, until satisfactory institutional settings are crafted in developing world.

## 9. Recommendations

This paper offers the following recommendations:

1. There is need on the part of the government to develop institutional structure to ensure an efficient private sector growth, through improvement of the macroeconomic environment and re-orientate Africa budgetary framework to accommodate social and economic infrastructures that is crucial to the growth of the productive sector.
2. The unemployment trend need to be address as a matter of urgency through a shift in economic and employment policies to strengthen and support labour market institutions and make sure that social protection schemes are well articulated.
3. A proactive and rebalancing view in the reform efforts is also desirable. For instance, financial sector reforms should ensure that banks and other financial institutions perform

- their primary function of channeling resources into the real sector and into investment framework that can sustain business expansion and by extension job creation.
4. Government should carry out comprehensive scrutiny of the current regulatory framework (particularly in the area of issuance of business permits, administrative procedures, double taxation, access to capital, social security and protection etc.) and develop suitable legal policies which accord due recognition to the activities of the informal sector to propel their transition to the formal economy.
  5. Given the economic contributions of the informal sector, there is need for political will and the creation of enabling environment on the part of the government to roll out incentive measures through funding, capacity building and infrastructural facilities to close the exclusion gap between the formal and the informal sector with a view of reducing the vulnerability of the sector and align it with the mainstream economy.

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