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Evaluating the relationship between the formal and informal economy in Ghana: a case study of Koforidua in the Eastern Region.

By

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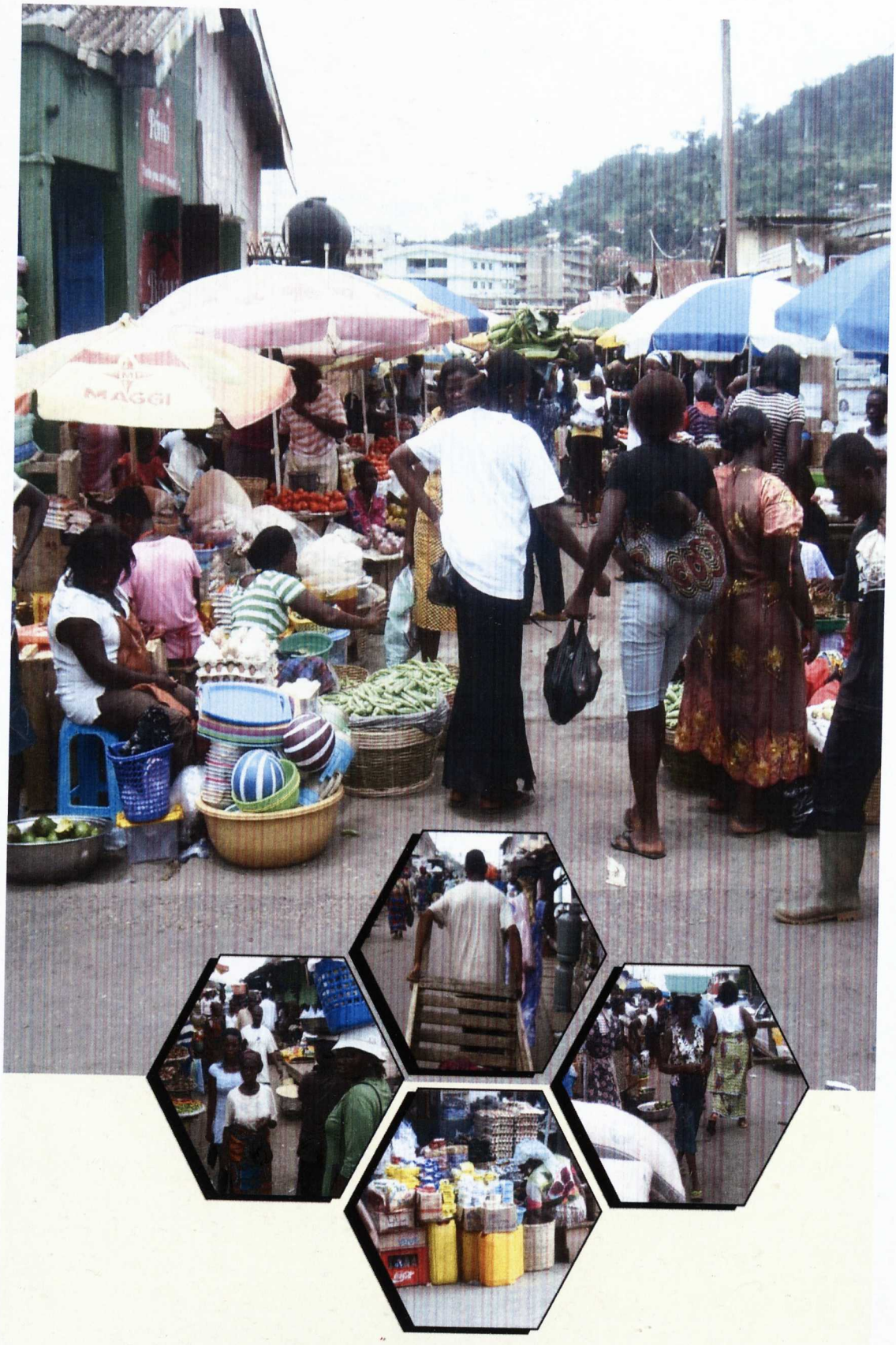
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DECLARATION

I declare that this thesis has been put together by myself from results of my own work towards the degree of Doctor of Philosophy in Management except where due acknowledgment has been made in the text and in the bibliography and that, to the best of my knowledge, it has not been submitted in any previous application for a degree.

.....

Kwame Yeboah-Korang Adom

DEDICATION

This thesis is lovingly dedicated to: my mother (Florence Acheampong, Alias Maame Yaa yaa), who taught me the importance of determination and staying focused; my wife (Cynthia) whose faith in me encouraged and sustained me throughout this PhD journey; and children (Kofi & Akua), who have motivated me to pursue my vision to be ever curious and all who offered me unconditional love, support and contributions to make this PhD dream a reality.

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ABBREVIATIONS AND ACRONYMS

CBD	Central Business District
CST	Communication Service Tax
CBRDP	Community Based Rural Development Programme
DACF	District Assembly Common Fund
DIY	Do it yourself
EFA	Education for All
ERP	Economic Recovery Programme
ESB	End of Service Benefit
FCUBE	Free Compulsory Universal Basic Education
FE	Formal Economy
GAWE	Ghana Association of Women Entrepreneurs
GCB	Ghana Commercial Bank
GDP	Gross Domestic Product
GNEP	Ghana National Employment Policy
GoG	Government of Ghana
GPRS	Ghana Poverty Reduction Strategy
GPRS	Growth & Poverty Reduction Strategy
GPRTU	Ghana Private Road Transport Union
GSS	Ghana Statistical Service
GTA	Ghana Traders Association
GTUC	Ghana Trade Unions Congress
HFC	Home Finance Company
ICLS	International Conference of Labour Statisticians
ICT	Information & Communication Technology
IE	Informal Economy
ILO	International Labour Organisation
IMF	International Monetary Fund
IMSE	Informal Micro & Small Enterprise
IRS	Internal Revenue Service
ISSER	Institute of Statistics, Social & Economic Research
IT	Information Technology
JHS	Junior High School
MDG	Millennium Development Goals
MEYS	Ministry of Education Youth & Sports
MFI	Micro Finance Institution
MMDA	Metropolitan, Municipal & District Assemblies
MSLC	Middle School Leaving Certificate
NBSSI	National Board for Small Scale Industries
NJMA	New Juaben Municipal Assembly
PNDC	Provisional National Defence Council
PROTOA	Progressive Transport Owners Association
PRSP	Poverty Reduction Strategy Paper
PWD	Public Works Department
SAP	Structural Adjustment Programme
SHS	Senior High School
SIF	Social Investment Fund
SME	Small & Medium Enterprise
SOE	State Owned Enterprise

SPSS	Statistical Package for Social Sciences
SSA	Sub Saharan Africa
SSNIT	Social Security & National Insurance Trust
TS	Tax Stamp
UN	United Nations
UNDP	United Nations Development Programme
USA	United States of America
VIT	Vehicle Income Tax
WB	World Bank
WSP	Water and Sanitation Programme

INDIGENOUS TERMS (AKAN)

Aban Adwuma	Public or Civil Service
Abunu	shared agreement based on 50% -50% or 1:1
Abusa	shared agreement based on 33% - 66% or 1: 2
Apampam store	hawking
Bodwabodwa	petty trading
Nnoboa	reciprocal favours
Obroniwaawu	foreign used clothes
Paa-o-paa	head porter
Trotro	mini bus
Oman Adwuma	Communal labour

LOCAL TERMINOLOGY

By-day	casual job on daily basis (daily wager)
Chop-bar	indigenous restaurant
Hardware	building materials
Magazine	garage or fitting workshop
Nsu or pure water	purified sachet or bottled water

ABSTRACT

This thesis re-evaluates the relationship between formal and informal work in third world cities. Until now, informal work has been theorised either as a residue (modernisation), by-product of contemporary capitalism conducted out of economic necessity (structuralism) or an alternative to formal work chosen due to either an over-burdensome state (neo-liberalism) or for social, redistributive, resistance or identity reasons (post-structuralism). Keith Hart was the first scholar to use the concept of the "informal sector", which he employed to describe a large segment of the economy of Ghana during the 1970s. Following Hart's seminal work, there has been a continuous debate about the nature of the relationship between the informal and formal sector. This thesis returns to the birthplace of the concept and through a survey of the contemporary informal economy in Koforidua it critically re-evaluates these various competing theories of the relationship between formal and informal work.

Reporting on data from a study of 80 households and three key institutions in Koforidua in Ghana, the study identifies the multifarious relationships between formal and informal work in Ghana. The major finding is that even though each and every theoretical perspective may be applicable to specific types of informal work, no one theory captures the varied character and multiple meanings of the informal economy as a whole in Ghana. As a consequence, this study asserts that a more far-reaching understanding of the multifaceted and diverse character of the informal economy will only be achieved by using all the theoretical perspectives. The outcome is a call for a re-thinking of how to explain the relationship between formal and informal work and for an appreciation of the multiple meanings of informal work in different contexts. This thesis concludes by calling for a review of the potential wider applicability of these findings.

CHAPTER ONE OVERVIEW OF THE STUDY

1.0 Introduction

For many years, the formal and informal spheres have been seen by certain scholars as separate and discrete, resulting in the adoption of a dualist approach when describing the relationship between them (Boeke, 1942, 1961; Furnivall, 1939, 1941; Hart, 1972; ILO, 1972; Lewis, 1955). Ever since Keith Hart coined the term "informal sector" to describe the endeavour and enterprise he witnessed in Ghana during the early 1970s (Hart, 1973), there has been an ongoing debate about the nature of the relationship between the formal and informal economies. Indeed, this dualistic depiction has become heavily embedded in policy rhetoric at all levels of public policy, from the local to the global. The problem, however, as Chen et al. (2004) have highlighted, is that the dualistic view is not always an accurate depiction of the relationship between formal and informal work. In fact, it obscures recognition of the multifarious types of informal work and restrains the range of policy options considered possible for tackling the problems of this sphere. This thesis seeks to transcend such simplistic portrayals that depict the informal economy as separate from the formal sector. In doing so, its intention is to show that by better understanding the complex and nuanced ways in which formal and informal work are inter-related, not only do new ways of understanding the relationship between the formal and informal sectors emerge but, in addition, opportunities for policy intervention open up. At the outset, it is important to define what is meant by formal and informal work. Until now, the wider literature on what has been denoted as 'black market', "criminal", "underground", "cash-in-hand',' hidden", "shadow", "informal" economy/sector/employment/work has commonly defined informal work with reference to work that is absent from or lacking in some way with regard to the formal regulatory system (ILO, 2002a, 2002b; Williams & Windebank, 1998, 2006). Formal work is therefore defined as paid work that is declared to the authorities for tax, social security and labour law purposes. Informal work, in contrast, and using the ILO definition, covers 'all economic activities by workers and economic units that are in law or practice – not covered or insufficiently covered by formal arrangements' (ILO, 2002a: 4).

This study was conducted to evaluate the relationship between the formal and informal economy in Ghana, with specific concentration on Koforidua in the Eastern Region. This study was based on over six months of fieldwork in Koforidua, the regional capital of the Eastern region. A variety of data were collected during this time using multiple case studies. The study contributes to the literature on the relationship between the formal and informal economies and has policy implications for policy makers and practitioners. Its major findings indicate that there are different aspects of the competing theories that apply to different people in different contexts. These findings are consistent with the study conducted by Williams and Round (2008) in Ukraine. The findings also have the potential to help practitioners to come to terms with the fact that there is no one fits all solution to the varied problems of the informal economy in Ghana.

Despite the vast literature on the informal economy, defining it remains something of an academic tug of war. Although many have tried to offer a comprehensive definition of informal work, it remains contested. This is because different people have defined the informal economy in various ways. Again, what is considered informal work changes from one setting and/or country to another. For Baah (2007), most of these definitions to some certain extent are descriptive for the reason that it is difficult to capture the scope of the informal economy in one definition. However, he is of the view that there seems to be a consensus among most researchers in this area about the "unregulated" or "escape institutional regulation" nature of the informal economy (Baah, 2007). Even ILO (2002) pointed out that international comparability of the informal economy is complex because what may be seen as informal work varies from country to country.

Owing to its inherent heterogeneity there are many ways of defining the informal economy. Although it is difficult to precisely define the informal economy, there seems to be some form of agreement in terms of type of activities involved in an informal economy (see Feige, 1990; Leonard, 1998a; Pahl, 1984; Thomas, 1992; Williams & Windebank, 1998). All the same, there is continuing debate when it comes to deciding on technical terms to represent the informal economy. To address this difficulty, Williams (2004a) came up with some adjectives and nouns (technical terms) to depict such work, see Table 1.1.

Table 1.1 Adjectives and nouns used to denote informal work

Adjectives			
Black	Cash-in-hand	Clandestine	Concealed
Dual	Everyday	Ghetto	Grey
Hidden	Invisible	Irregular	Marginal
Moonlight	Non-observed	Non-official	Occult
Off-the-books	Other	Parallel	Peripheral
Precarious	Second	Shadow	Submerged
Subterranean	Twilight	Underground	Unexposed
Unobserved	Unofficial	Unorganised	Unrecorded
Unregulated	Untaxed	Underwater	
Nouns			
Activity	Economic activity	Economy	Employment
Sector	Work		

Source: Williams (2004a, p. 3).

Given that informal activity is carried out in different forms, selecting a precise standardised definition presents many challenges. As a consequence, throughout this thesis, it should be added, the terms "informal/formal economy", "informal/formal employment", "informal/formal work", "informal/formal activity" and "informal/formal sector", are used interchangeably to represent the same concept. This thesis follows the ILO's 2002 definition of the informal economy. Here, the informal economy has been defined as 'all economic activities by workers and economic units that are in law or practice not covered or insufficiently covered by formal arrangements' (ILO, 2002a) (cited in (Hussmanns, 2005, p. 2).

The starting point of this thesis is that few would question the notion that small-scale enterprises and entrepreneurs make significant contributions to the growth and development of most national economies. Few, moreover, would question the notion that in many countries many of these small businesses operate wholly or partly in the informal economy. This is particularly the case in Ghana where the informal economy represents the "mainstream" economy, with over 90% of all jobs of the national economy falling within this sector (Debrah, 2007; Hanson, 2005; ISSER, 2007; Palmer, 2007a). The formal sector is merely a "marginal" economy existing in the margins of the society, confined to specific sectors and various peripheral places. Palmer (2007, p. 410) also found that, 'approximately 90% of all employment in Ghana is in the informal, with formal employment experiencing slow growth rate'. All this evidence suggests that the formal economy is indeed a marginal economy. The informal economy, in stark contrast, is very diverse and operates in nearly all segments of the national economy. The size of the informal economy is

always estimated and thus sometimes does not reflect the reality. A careful look at these statistics shows a huge discrepancy among researchers and practitioners. The boundaries of the informal economy are still not clearly defined. The real situation, as observed during this study, gives more meaning to informal work. It is believed that those among the population who engage in the informal economy are always affected by extreme values. There are, for example, some people outside the officially defined working population (7 - 14 years and 64+). In developing countries like Ghana, where most people fall within 0 – 40 years, the impact on the actual numbers of informal workers may be significant. There is no evidence whatsoever to show whether those below and above the official working age (15-64) are many or few. I believe there is a need for a study in the future with the aim of establishing the true size of the informal economy in Ghana.

In spite of this diversity, broadly speaking, those engaged in the informal economy can be categorised into three basic types, namely, employers, the self employed and waged workers, the latter including employees in informal enterprises, casual workers, home workers, domestic workers and factory workers without formal contracts (ILO, 2002b). This thesis brings the study of the "informal sector" back home to its roots. Keith Hart is accredited with the discovery of the "informal sector", as he first coined the term, based on his work in Ghana (Hart, 1970, 1972, 1973). Many years after this discovery, it has gained wider purchase. The informal sector is commonly discussed in every corner of the globe. This is perhaps unsurprising when it is recognised that the informal economy is a major source of livelihood for most people, especially in developing countries. Contrary to what might have been envisaged, the informal sector has not receded or disappeared from view since its discovery during the 1970s in Ghana. Instead, quite the opposite is the case as evidenced by the works of Debrah (2007), Palmer (2007), Hanson (2005) and others. It is today one of the major lifelines for dwellers in both rural and urban economies, especially in developing countries, but also in transition economies and the developed world. This is nowhere more obvious than in the birthplace of the "informal sector" concept, Ghana itself. At present, the existence of a robust and vibrant informal economy is widely noted in Ghana (Debrah, 2007; Haan & Serriere, 2002). Not only are most enterprises and entrepreneurs widely recognised to be operating in the informal economy (Debrah, 2007; Palmer, 2007a; UNDP/ISSER, 2007) but also, as Xaba et al. (2002) note, some

89% of the labour force in the Ghanaian economy work in the informal economy and this trend is just as evident in urban as in rural areas (Boapeah, 1996; Dzisi, 2008; Palmer, 2007a) . Indeed, and as Palmer (2007a, p. 400) asserts, 'the informal economy in Ghana is the primary destination for all school leavers'.

Yet it must be argued that, despite the widespread recognition of its magnitude and even growth, the informal economy in Ghana has not received the attention it deserves in the employment policies of the government until now. Although for many years it was arguably subject to benign neglect by successive governments, in recent years the informal economy has moved up the policy agenda as the government has sought to improve the plight of the poor, many of whom are normally engaged in the informal economy, through poverty reduction strategies (GoG, 2005). The belief of the government is that providing services to the poor will not solve poverty. Instead, it believes that strategies that make possible their engagement in wealth creation are more appropriate. In the Ghana Poverty Reduction Strategy (GPRP I) (GoG, 2003), the informal economy, despite being the survival tactic for the majority of the people in Ghana, continues to be read as having negative attributes (GoG, 2003). It is important, therefore, to determine whether this is an appropriate portrayal of the informal economy in Ghana. So, too, it is important to understand the perceived nature of the relationship between formal and informal work in Ghana since this, it will be shown, has had implications on the policy responses adopted.

According to Williams (2007), in advanced economies, the tendency throughout much of the 20th Century was to read the informal economy as a remnant or leftover from a previous economic era and as something which was disappearing from view. The widespread belief was that there was a natural and inevitable march towards formalisation of working life and that this represented progress, advancement and modernity (Williams, 2007). Over the past decades, however, this portrayal of the relationship between formal and informal work, in which they are separate spheres and temporally sequenced with one replacing the other, has come under growing attack. Until now, however, there has been no consensus regarding how the relationship between the informal and formal economy should be conceptualised. As a consequence, Morris et al. (1996, p. 63) highlight that, 'the extent to which these two sectors operate independently, or alternatively to which informal appears in response to gaps or shortages in formal sector markets, is unclear'.

Competing theorisations of the nature of the relationship between formal and informal work exist, therefore, at present.

To document these competing perspectives, and reflecting the widespread consensus, Chen et al. (2004) outline three dominant schools of thought on the informal sector that currently endure, namely the dualist, structuralist and legalist, with each depicting the relationship between formal and informal work differently. Williams (2006; 2007b), meanwhile, slightly extends the debate by putting forward four competing theories of the informal economy. These variously depict the informal sector as: a remnant or leftover of some pre-formal era (comparable to the dualist school); a by-product of a new type of emergent formal economy (comparable to the structuralist school); a complement to the formal economy (a new perspective not considered by previous commentators), and an alternative to the formal economy (comparable to the legalist school). For Skinner (2002), there are two main traditions. These are the neo-liberal (which Chen et al. call the legalist and Williams the alternative) and the structuralist perspectives. In order to understand the informal economy and its relationship to the formal economy, it is important to evaluate these various competing perspectives.

Throughout the 1950s the widespread view was that through an effective combination of economic policies and resources, poor economies could transform themselves into a modern dynamic formal market economy (Chen et al., 2004). Development experts in this context believed that the informal economy, consisting of petty traders, small producers and a range of casual jobs, would be immersed into the modern capitalist or formal economy as a result of which the informal economic activity would disappear (Chen et al., 2004; ILO, 1972; Lewis, 1955). It was therefore expected that the informal economy would fade away from the economic landscape as the processes of industrialisation and modernisation (formalisation) took hold. A classical example is President Nkrumah's (Ghana's first President) economic ambitions after independence in the late 1950s. Nkrumah was a strong supporter of the formalisation of economic life as a means to achieving economic growth and development for Ghana. For him, progress, modernity and advancement lay in a process of formalisation through industrialisation and a move away from the informal economy (Palmer, 2007b).

1.1 Defining the research problem

Despite the extensiveness of the informal economy, this sector remains widely depicted by numerous commentators and researchers as an arena in which marginalised populations make a living. It is also widely viewed as possessing largely negative attributes, as expressed in its depiction as a "traditional", "outmoded" and "leftover" sphere (Chen et al., 2004; ILO, 2002b; Leonard, 2000; Williams, 2005, 2006). The outcome is that informal work is commonly portrayed as a remnant, marginal and sweatshop-like activity which often impairs economic development and social unity (Williams, 2007). Governments, development partners, donors, international and local non-governmental organisations, as well as academic commentators, have over the years tried to change this perception but with limited success. The informal economy continues to be seen as a space of hopelessness and an arena for the disadvantaged in society, who are not able to secure a job within the formal sector. This is what Williams and Windebank (1998) and Williams (2006a, 2007) describe as the "marginality thesis"|. The World Bank's Country Director for Ghana, Mats Karlson, encapsulated such a view in 2007,

> 'What is left for Ghana to do is to embark on action programmes that would lead to the movement of Small and Medium Scale Enterprises from the informal to formal sector in order for there to be more permanent jobs for the youth. That way, both the economic and social dimensions of development would have been properly taken care of and then we can talk of economic development' (http:www.myjoyonline.com/archives/business/200702/2743.asp).

Rather than simply accepting the commonly held assumption that the formalisation of economic life is the only route to progress, modernity and advancement, this thesis seeks to evaluate critically this assumption.

This thesis, by focusing on Ghana, with particular reference to Koforidua in the Eastern Region, also seeks to evaluate whether the dualist and marginality theses remain relevant in developing countries, or whether one of the alternative theorisations of the relationship between formal and informal work more accurately represents the situation in Ghana. The study reveals that for many decades, the dualist school of thought, that views the informal and formal spheres as discrete, and the accompanying "marginality thesis"

have dominated the debate. At the heart of the dualist debate is the view that the separate formal economy is inevitably and irrefutably replacing the informal economy and that the informal economy is to an increasingly large extent participated in by those populations marginalised from the mainstream economy (formal), who engage in informal work out of necessity and as a last resort when no other opportunities are open to them (Button, 1984; Rosanvallon, 1980; Sassen, 1997a; Williams, 2006, 2007b; Williams & Windebank, 1998). In recent decades, however, both the dualist and marginality theses have come under increasing attack, especially in western economies (e.g. Barthe, 1988; Howe, 1990; Koopmans, 1989; Pahl, 1984; Tievant, 1982; Williams & Round, 2006, 2008a). They all support the view that it is not the marginalised who engage in informal work but rather the affluent and the employed. This is less the case, however, in studies of developing nations (Chen, Jhabvala, & Lund, 2002; Debrah, 2007). It is against this backdrop, therefore, that this thesis evaluates critically both the dualist and marginality theses, together with the other perspectives that have sought to replace these theses.

One such common approach has been that which adopts a more agency-oriented perspective and is often associated with the legalist view, which assumes that people deliberately decide to do informal work on their own volition and not because of the inability of the state or formal economy to provide adequate jobs for all. De Soto (1989), one of the leading scholars portraying informal workers as voluntarily engaging in this sphere, asserts that people prefer to do informal work simply because they want to avoid the bureaucratic regulations attached to registering their enterprises with state agencies. Whether this is the case in Ghana in general or the study area in particular will be analysed. In doing so, the intention is to analyse the nature of the relationship between the formal and informal economy in Koforidua in the Eastern Region of Ghana. Based on this understanding of the relationship between formal and informal work, the purpose is then to explore some possible public policy solutions that may be relevant to Ghana and might help reduce poverty levels on a sustainable basis.

1.2 Main aim

The main aim of this research is to evaluate the different theorisations of the relationship between the formal and informal economy so as to establish which perspective/s is suitable in the context of Ghana.

1.3 Research objectives

To achieve this overarching aim, the objectives are:

- to investigate whether the informal economy is always separate and discrete from the formal economy, as advocated by the dualist school of thought;
- to evaluate whether it is an inherent component/or by-product of the emergence of a new regime of capitalist accumulation, as advocated by the structuralist perspective;
- to assess whether it is a sphere of enterprise and entrepreneurship, which entrepreneurs enter out of economic necessity (marginalisation thesis) or choice, as advocated by the legalist school of thought;
- to assess whether the informal economy is complementary to the formal economy and whether it reinforces, rather than reduces, the inequalities produced by the formal economy;
- to determine whether the relationship between formal and informal work varies across different areas or socio-economic groups; and
- to begin to identify the policy implications that arise from developing an understanding of the relationship between formal and informal work in Ghana.

1.4 Rationale for the study

The rationale for conducting this study of the relationship between formal and informal work in Ghana is two-fold:

1. The existing literature on the informal economy in Ghana hardly discusses the nature of the relationship between formal and informal work. That is, very little is known about the relationship between formal and informal economy. Until now, evaluations of the contrasting theories of the relationship between formal and informal work have

tended to concentrate on western economies, the transition economies of East-Central Europe and Latin America. Few have evaluated these contrasting theories in relation to Africa, especially Sub Saharan Africa. As a consequence, this research seeks to begin to fill this knowledge gap by examining the relationship between the formal and informal economy in Koforidua in the eastern region of Ghana. The outcome of this study will provide a platform for policy makers, academics, politicians and practitioners in terms of measures to enhance the image of the informal economy. This study has been conducted at a time when there is a renewed and increased interest in the informal economy as the alternative to the formal economy to provide jobs for the ever-growing population. The study findings highlight some areas where policy makers need to focus in the short and long term.

2. It is nearly four decades since Hart coined the term informal sector based on his work in Ghana. This thesis revisits the country where the concept emerged so as to evaluate its contemporary character and how it has changed since the 1970s. Many years after Hart completed his work, the informal economy in Ghana continues to be denigrated by successive governments. Although the number of informal workers has increased, their output is still considered to be negligible. The informal economy in Ghana has witnessed massive changes since Hart's time and it is worth studying its relationship with the formal. These changes are discussed in the analysis and conclusions sections.

1.5 Overview of the Methodology

To evaluate the relationship between the formal and informal economies in Ghana, the decision was taken to study the town of Koforidua, the regional capital of the eastern region of Ghana. Within this regional capital, maximum variation sampling was used to select five contrasting neighbourhood types, ranging from very affluent through to very deprived communities (see Figure 1.4). Within each of these five communities, a spatially stratified sampling technique was then applied (Kitchen & Tate, 2001) to select 16 households in each community to survey, meaning that a total of 80 households were surveyed within the town. All the interviews were conducted face-to-face and comprised a structured

questionnaire which included both closed- and open-ended questions. Information was collected on the socio-demographics of the members of the household (e.g., gender, age, ethnicity, level of education), followed by their employment status, including whether they engaged in informal work and if so, what type in terms of their occupation and sector. Respondents were then asked their opinions on the extent of the informal economy and to estimate the share of household income that came from informal and formal work. They were also questioned on the work practices they relied on to secure the livelihood of the household by asking them to identify their primary and secondary forms of work in terms of importance. The last section dealt with the relationship between formal and informal work in the household, such as whether those in formal work also engaged in informal work, and the reasons why people engaged in informal work. Detailed methodology is presented in chapter four.

1.6 The scope of the study

1.6.1 Structure of Ghana's national economy (NE)

In the context of this research Ghana's national economy may be defined in terms of formal (official) and informal (unofficial) economies through which goods and services are produced and distributed. On the one hand, the formal economy or official workforce may be explained using the following criteria;

- it is composed of workers who have written employment contracts from their employers,
- wages and salaries are documented in the contract of employment
- pay normal income tax through the pay as you earn (PAYE) system
- enjoy some benefits such as holiday pay, maternity leave pay, sick pay and others
- pay social security contributions and so on.

It may also include private enterprises that are formally registered with the Registrar General's Department under the Company Code of 1963 as a separate entity from the

owners or managers and pay normal income tax on their revenues, observing the rights of employees amongst others. This means that formal jobs are more secure, better remunerated and covered by labour legislation, e.g. minimum wage.

Although the informal economy may be seen as workers and/or enterprises that do not adhere to the above criteria in general, this may be too simplistic. The reason may be that there are a lot of grey areas in terms of the informal/formal dichotomy (ILO, 2002). The two seemingly separate economies may be seen as being on a continuum, with purely formal and purely informal work at its extreme ends. In between, there are a lot of activities that may be difficult to classify as formal or informal. For example, the GPRTU is the fifth largest member of the GTUC (see, Croucher, 2007) but it is regarded as informal, though its members adhere to some labour legislation, pay tax (VIT) and so on. What compounds this definitional problem is that for many years some researchers in this area (e.g. Debrah, 2007; Palmer, 2007; Dzisi, 2008) have had the tendency to concentrate on the marginal and survival activities to the neglect of the formal or quasi-formal businesses that conduct part or whole of their business informally, thereby narrowing the debate on what is or is not informal work. This is one of the gaps that have been identified in the literature. Ghana's national economy may be represented using a figure adopted from (Schneider & Enste, 2003, p. 8) to depict the structure of the dual economy.

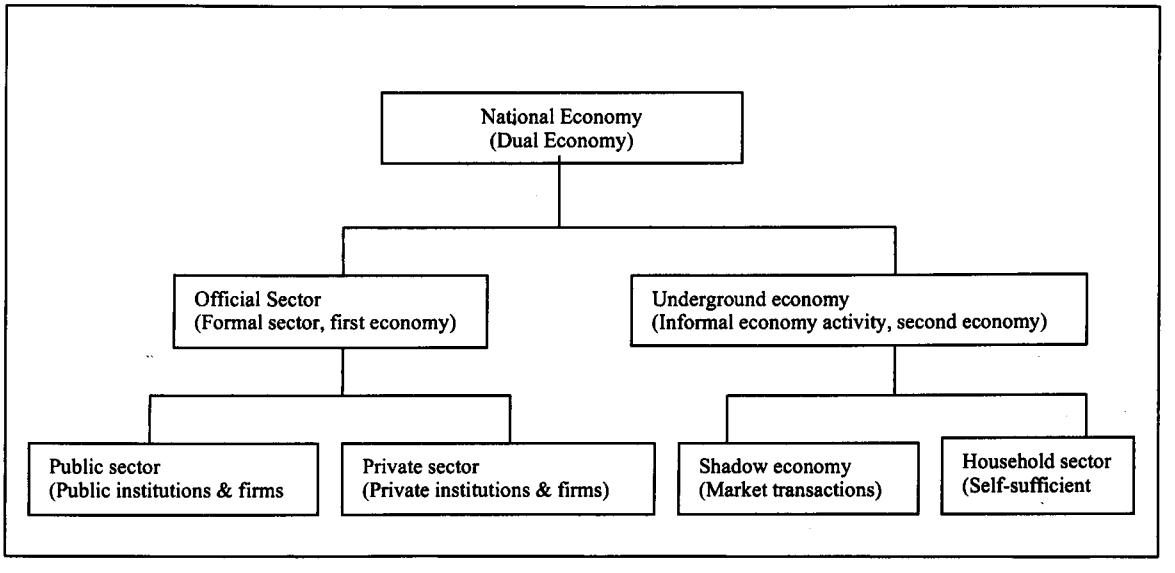

Figure 1.1 The Structure of the Dual Economy, Adopted from Schneider & Enste, 2003, p. 8.

Figure 1.1 portrays the formal and informal sectors as separate and thus there is little or no link between them. The study will investigate whether this is in fact the case. Currently the informal economy is estimated to account for about 90% of economic activity (Debrah, 2007; Palmer, 2007; ISSER, 2007), leaving the formal economy at around 10%. The formal economy tends to be more homogeneous. Homogeneity is explained with reference to working practices such as working time, which is normally from 9am – 5pm; days of work, Monday – Friday; period of remuneration, normally monthly in Ghana and the like. On the other hand, the informal economy is made up of diverse forms of work or activities, making it more heterogeneous and irregular. In addition, there may be no defined working times or days. The informal operator may choose to work to any timetable on any day(s) of the week(s), month(s) or year. However, in terms of paid informal work, the situation might be a little different as the employer determines the working hours (time and/or day) and other work related issues. In answering the question posed earlier, the formal economy is not separate from the informal economy in Ghana as may be the case elsewhere; however, there is more interconnectedness and interdependency between and among informal activities within the informal economy than between informal and formal work within the overall national economy. This is not to say that there is no link at all between the formal and informal economy. There is a structural interdependency among informal activities and some form of linkage between formal and informal economy with regard to certain activities. Nevertheless, the findings at the end of the analysis throw more light on this dependency relationship between the formal and the informal economy.

It is difficult to specify how many years either formal or informal work has been in existence in Ghana. However, from the literature it is known that the informal economy in Ghana, as in many developing countries, dates back to a period before colonial imperialism, capitalism and the associated market economy (formal) (Ninsin, 1991; Thompson, 2009). It has to be emphasised that while the formal economy is dwindling or increasing at a slowing rate in real terms (Adu-Amankwah, 1999), the informal economy is expanding at an uncontrollable pace (Debrah, 2007; ILO, 2002b, 2007).

It is also prudent to present some basic geographical information on Ghana for readers who may have little or no knowledge about Ghana in general and

Koforidua in particular. Ghana is located on the southern coast of the West African hump; it has an area of 238,540 sq km (92,100 sq mi), extending 458 km (284 mi) NNE – SSW and 297 km (184 mi) ESE – WNW. Ghana is bordered on the East by Togo, on the South by the Atlantic Ocean (Gulf of Guinea), on the West by Côte d'Ivoire, and on the North West and North by Burkina Faso. Accra, Ghana's capital city is located on the Gulf of Guinea coast. Figure 1.2, is a map showing the study region in the national context.

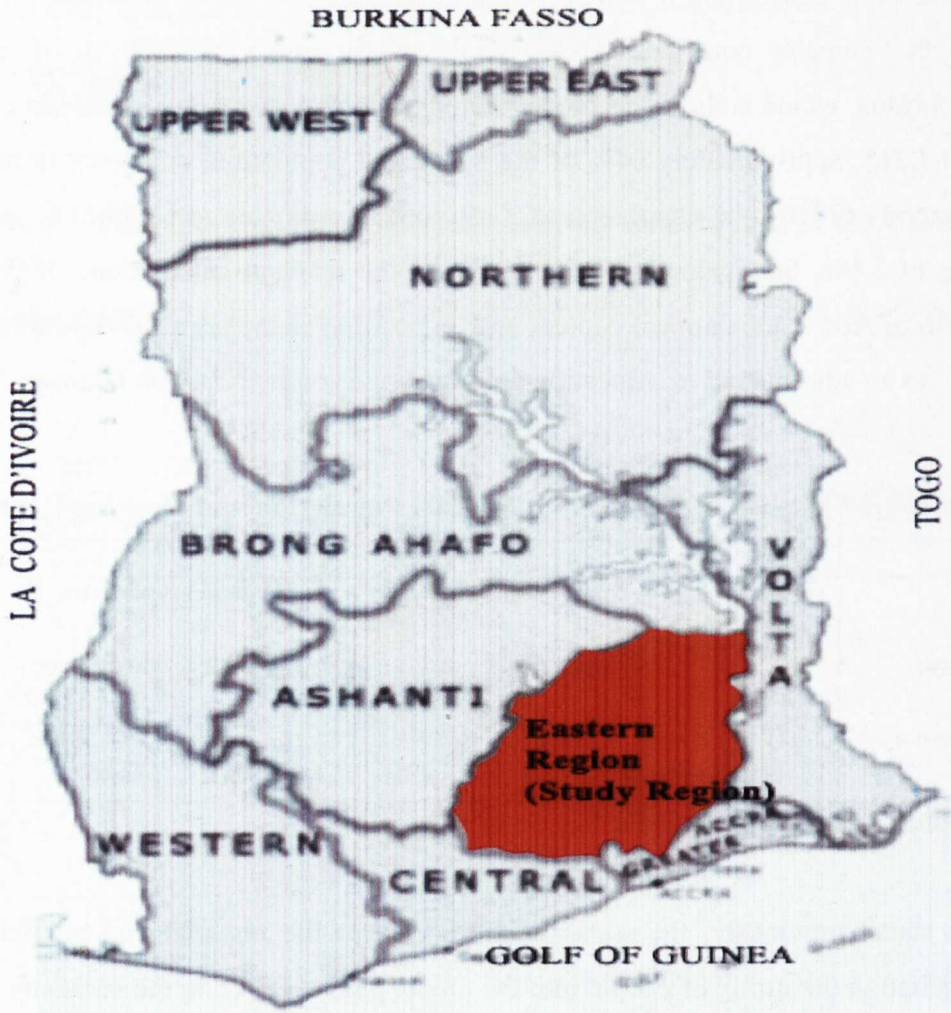

Figure 1.2 The Study Region (Eastern) shown in Red in National context

1.6.2 Background to the study area – Koforidua (Ghana)

Koforidua is the seat of the New Juaben Municipality Assembly and the capital of the Eastern Region of Ghana. The municipality covers an estimated area of 110 square kilometres, constituting 0.57% of the total land area of the Eastern Region. The Municipality shares boundaries with East-Akim municipality to the Northeast, Akwapim North District to the Southeast, Yilo Korbo to the east and Suhum Kraboa Coaltar District to the west, as shown in figure 1.3. The municipality had a population of 136,768 according to the 2000 Census and it was projected as 154,531 in the year 2005, with a growth rate of 2.6 %. Females constitute 51.5% whilst males make up 48.5 % of the population. Koforidua, which is the focus of this study, has a population (as of the last census in 2000) of 87,315: approximately 64% of the Municipal population, as shown in table 1.1 below. Currently (2010), the population of Koforidua is estimated to be 89,615, using the growth rate of 2.6%. See appendix 7 for details of the relevant calculations. It lies about 86km north of Accra, the national capital, and its position as the regional capital has enhanced its role as an administrative, educational, trading and commercial hub (Hanson, 2005).

Table 1.2 Population of Koforidua in 2000 Population and Housing Census

	Population							
Locality	2000			1984	1970	**Author's computation** **2010 estimates**		
Koforidua	Total	Male	Female			Male	Female	Total
	87,315	42099	45216	58,731	46,235	**43015**	**46600**	**89615**

Source: Ghana Statistical Service (2002)

As stated previously, the status of Koforidua as the regional and municipal capital has resulted in the influx of people into the municipality. Dividing the economy of New Juaben Municipal area into the classic three major sectors, namely the agricultural, industrial and service sectors, the finding is that some of the economic activities are agro-based, with agriculture constituting about 28.1% of the overall economic activity, industry 27.4% and commerce and service 44.5% (Municipal Development Plan, 2006-2009). Figures 1.3 and

1.4 depict the New Juaben Municipal Assembly in the Eastern Regional context, Koforidua and the selected study zonal councils within Koforidua Township respectively.

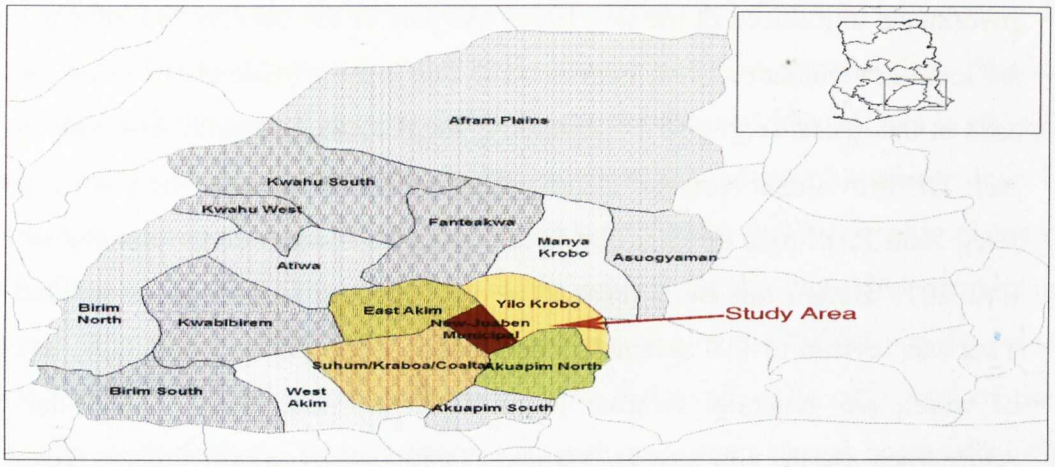

Figure 1.3 The New Juaben Municipal Assembly (shown red) in the Eastern Regional context

http://upload.wikimedia.org/wikipedia/commons/f/f8/Eastern_Ghana_districts.png

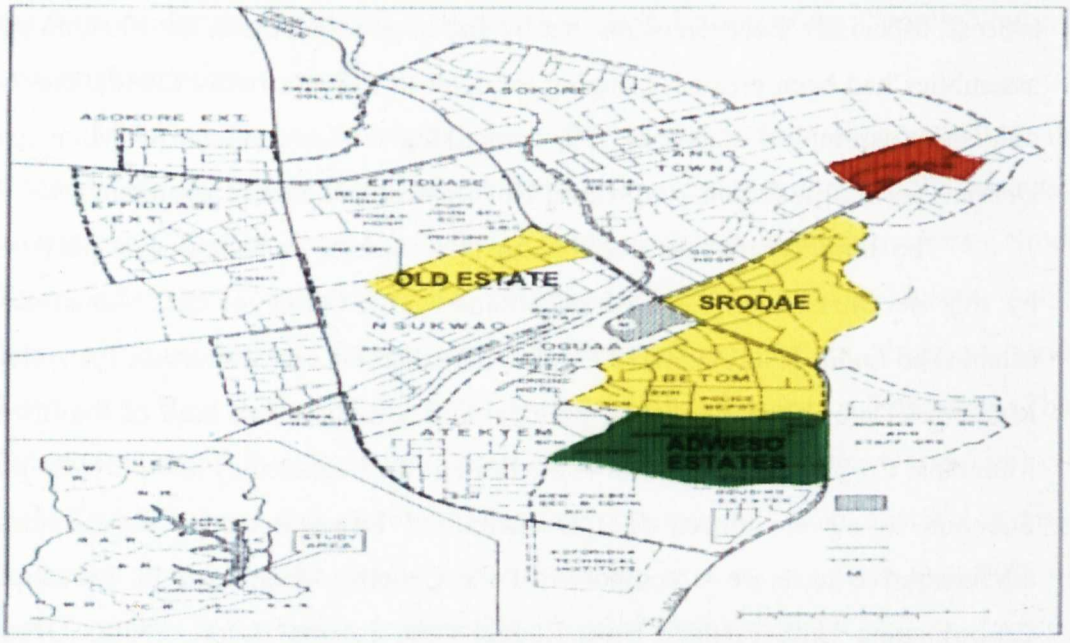

Figure 1.4 Map of Koforidua, showing the actual study areas: Green – Affluent, Yellow – Semi Affluent and Red – Deprived

Source: Town and Country Planning Department, Koforidua, 1999 (Cited in Hanson, 2005, p. 1293).

1.6.3 Local government system in Ghana

The New Juaben Municipal Assembly was created under the decentralised system of governance introduced in the late 1980s. As part of the background information a brief of the local government system is presented. This may provide clarification of certain terms used in this thesis (e.g. district Assembly; zonal council; district Assembly common fund, etc). The Provisional National Defence Council (PNDC), under the chairmanship of Ft Lt. Jerry John Rawlings, initiated the decentralisation system of governance in 1988 (PNDC Law 207). Before this time, there were only 65 local authorities throughout the country. This was revised to 110 assemblies comprising Metropolitan, Municipal and Districts, all of which are generally referred to as "District Assemblies". Under the Metropolitan Assemblies are the sub-metros, Municipal and District urban councils, zonal council and unit committees in a hierarchical order. Authority and responsibility, therefore, descend from the top to the bottom but decision-making takes the form of a bottom-up approach. The main aim of this system is the involvement of the grassroots in the decision-making process, especially those decisions that by and large affect them. By 2004, an additional 28 assemblies had been created, bringing the total to 138. Currently (2010), the total number of district assemblies stands at 170, comprising 6 Metropolitan, 40 Municipal and 124 District Assemblies (Ministry of Local Government and Rural Development).

The administrative structure at the New Juaben Municipal Assembly is influenced by this decentralised system of governance. The Office of the Municipal Assembly, established under PNDC Law 327, is the bureaucratic nerve centre of the Assembly. The Municipal Chief Executive is the political and administrative head of the institution. The Municipal Co-ordinating Director is the head of the bureaucracy and provides guidance and direction to all the eleven (11) Decentralised Departments of the Municipality. The administrative structure is composed of the General Administration, Municipal Planning Co-ordinating Unit, Finance Unit, Budget Unit, Internal Audit, Works Department and Environmental Sanitation Unit. The administrative set up is important in that policies affecting the overall economy within the municipality are formulated at this level. This may provide the key to how the individual units affect policies on informal economy. It is also important because almost all informal workers operate within a local government area and it is the responsibility of the local government to ensure that there is

development at this local level involving every aspect of the local economy including the informal economy.

These decentralised departments are given the opportunity to take certain decisions which directly or indirectly affect the local settings. However, some of these decisions must be in line with the central government policy at the national level. It has to be argued that giving the local people the opportunity to partake in decision-making does help the implementation of such decisions. The reason may well be that the local implementers feel part of the project and thus offer their fullest support for the successful completion of the project. The decentralised departments show one end of the formal economy and this is what locally is called government work (Aban Adwuma). The other end of the formal economy is the private formal enterprises, including international companies, especially those in the financial sector and the like. This to some extent facilitates the identification of informal work as all the other forms of work that are outside the public and civil service and the private formal organisations. As indicated earlier, there are some grey areas along the formal/informal continuum which makes identification of the "purely" informal work or formal sector even more complex.

The New Juaben Municipal Assembly is made up of 13 Zonal Councils. Zonal Councils are the sub divisions of the entire Municipality and are the grassroots of local government. The 13 Zonal Councils are Adweso, Oguaa, Betom, Nsukwao, Srodai, Anlo Town, Ada/New Town, Old Estate, Effiduase, Oyoko, Akwadum/Mpaem, Asokore and Jumapo/Suhyen/Asikasu. Of these, eight (Adweso, Oguaa, Betom, Nsukwao, Srodai, Anlo Town, Ada/New Town, Old Estate) are within the Koforidua Township. This study, however, covered five (Adweso, Betom, Srodai, Ada/New Town, Old Estate) out of the eight Zonal Councils in Koforidua. Therefore, in terms of Zonal Council's coverage it can be argued that the study sample is representative as it covers more than 60% of all the Zonal councils in Koforidua, irrespective of spatial distribution.

1.7 Outline of the thesis

This thesis is organised into seven chapters. To achieve an understanding of the relationship between the formal and informal economy in Ghana's Eastern region, the current chapter sets the context by providing a statement of the problem, the research questions, main aim and objectives of the study as well as a brief rationale of the research topic and an outline of the thesis.

To ground this thesis in what has been written before, chapter two examines the historical background to the study of the informal economy, defines what is meant by the informal economy and outlines the various types of informal work. A review of the competing theorisations of the relationship between formal and informal work is then provided in chapter three along with a summary of what is known about the informal economy in Ghana. Chapter four reviews the methodology used to achieve the previously defined aims and objectives. The first section discusses the philosophical assumptions underpinning the thesis, management research, research methods and the choice of the particular method adopted. The second section reviews the research strategy, data collection methods and analysis.

Chapter five presents some of the key findings. Starting with an overview of the study area, it then analyses the findings regarding the types of informal work undertaken, those who engage in informal work and the motives of participants in the informal economy. Chapter six turns its attention to evaluating the relationship between the formal and informal economy in Koforidua. This starts with a critical evaluation of the validity of the dualist theory, followed by an evaluation of the structuralist perspective, the legalist perspective and finally the complementary approach. This reveals the need to move beyond depicting one or other of these representations as always and everywhere valid and instead to acknowledge the context-bound nature of each and every one of these contrasting representations. Chapter seven, which is the final chapter, draws conclusions about the findings and begins to explore the implications for policy, the contributions to knowledge made by the thesis and to outline the possibilities for future research work in this field and limitations of the study.

CHAPTER TWO THE INFORMAL ECONOMY IN GLOBAL PERSPECTIVE: A LITERATURE REVIEW

2.0 Introduction

The previous chapter presented an overview of the study, the main aim and objectives. This chapter starts to set this study in its wider context by reviewing the existing body of literature on the informal economy. The evaluation of the relationship between formal and informal work has received considerable interest in advanced and transition economies. However, the same cannot be said about developing countries such as Ghana. Before showing that this is the case, however, it is first necessary to explore the historical background of studies on the informal economy. Secondly, the contrasting ways in which this sector has been defined need to be addressed and thirdly, the different types of informal work that have been identified in previous studies need to be outlined.

2.1 Historical origins of the informal economy concept

Although the idea of the informal economy in contemporary development studies is often traced to the work of Hart in Ghana and the ILO Kenya mission in Kenya in the 1970s, (Hart, 1973; ILO, 1972) it actually has much deeper roots (Boeke, 1942, 1961; Furnivall, 1939, 1941; Lewis, 1955). As O'Connor (1983) states, the characteristics of the informal economy have long been associated with pre-capitalist societies all over the world. Prior to the industrial revolution in Western Europe and beyond, informal work was considered to be a major source of livelihood for the majority, rather than only the poor or marginalised in societies. According to Becker (2004), in the mid 1950s, W. Arthur Lewis developed a theoretical model of economic development based on the assumption that there was a large pool of labour in developing countries and that this unlimited surplus labour would be absorbed as the modern industrial sector in these countries began to grow (Lewis, 1955).

As Willman-Navarro (2008, p. 370) also informs us,

> 'the "accelerated growth" models promoted within these viewpoints assumed that large scale industrialisation would attract investment capital and pull workers from unproductive (informal, mostly agricultural) sectors of the economy towards the urban industrial (formal) sector which would then generate resources to develop the large economy and reduce poverty'.

This notion had its foundation in the knowledge of reconstruction in Europe and Japan following the 2nd World War and industrialisation in the USA and UK (Willman-Navarro, 2008). As a consequence of this viewpoint, the part of the economy that was unable to industrialise was seen as a separate sector which would disappear with the momentum of industrialisation. Other commentators, such as Marxist and Neo-Marxist theorists, also discussed the informal sector but within a broader grouping of petty commodity production that they envisaged would slowly disappear with the growth of the capitalist (formal) sector (Willman-Navarro, 2008). According to Marx in his work "Capital", capitalist production 'destroys all forms of commodity production which are based either on the self-employment of producers or merely on the sale of excess product as commodities...' and 'by degrees, transforms all commodity production into capitalist production' (1972, p. 36). As Thompson (2009) also explains, as far back as 1874 a British reporter who visited Accra – the capital city of Ghana, made this remark,

> 'the principal street of Accra is an amusing sight: some effort appears to be made to keep it clean and the sales people sit on little mats, upon low stools which are used all over the country. They line both sides of the street and expose for sale every sort of article priced by the natives, and the goods being contained in wooden trays everywhere in use here'.

This is an indication that even before Hart's seminal work and the ILO mission in Kenya in the 1970s, there had been recognition of the informal sector in Ghana. Ninsin (1991), too, acknowledged that informal work in Ghana has its roots in the pre-colonial capitalist era of the then Gold Coast that devoted much attention to commerce. During this period, there were two forms of employment: one based on formal contractual agreement and the other based on informal arrangement (Ninsin, 1991). By the 1930s, the informal employment had

become widespread as formal wage employment dwindled, mainly as a result of the global economic downturn. Throughout this time, self-employed (mainly) artisans, who developed their skills outside the formal educational system, were prominent (GTUC, 2008). However, the "informal sector" as a development concept truly came to light during the 1970s when both Hart's work in Ghana and the ILO mission in Kenya revealed the existence of what they called an "informal sector", which was not only large but also apparently expanding (Becker, 2004; Hart, 1973; ILO, 1972). Since then the size and significance for livelihoods have multiplied as the numbers involved have increased (ILO, 2002b; Palmer, 2007a; Potts, 2008).

Indeed, it was Hart's systematic study of the activities conducted by the poor in the urban labour market in Accra, Ghana that was first to use the term "informal sector" (Hart, 1972). According to Willman-Navarro (2008, p. 370), 'Hart questioned whether the "unemployed" were really a passive exploited reserve army or if they could be considered as agents of growth'. As far as he was concerned, the informal sector signified an autonomous economic sector creating its own demand and supply of goods and services and as a consequence could be considered as a source of possible growth (Willman-Navarro, 2008). He further highlighted the distinguished dynamics and diversity of these activities, which in his view, went well beyond 'matches sellers and shoeshine boys' (Hart, 1973, p. 68). He was concerned with the multifarious small-scale non-agricultural activities which provided a livelihood for the urban poor (the people of Nima in Accra).

In these early reports, nevertheless, the informal economy was largely conceptualised as a set of activities performed by mainly destitute people who were on the periphery of society and conducted as a survival strategy (Castells & Portes, 1989). Without a doubt, for the ILO, informal activities were defined as 'a way of doing things characterised by: ease of entry, reliance on indigenous resources, family ownership of enterprises, labour intensive and adapted technology, skill acquired outside the formal school system and unregulated and competitive market' (ILO, 1972, p. 6). This definition became widely used and remains popular (see, Boapeah & Osei-Adu, 1987; Ninsin, 1991; Skinner, 2002). Although the way in which the ILO defines the informal economy/sector/employment has changed over the decades, the ILO has remained influential when it comes to defining what is meant by the term "informal".

During these early years, the concept of the informal sector received varied consideration in development discourse. Despite the fact that both Hart and the ILO mission team in Kenya were very optimistic concerning the future of the informal sector, given its efficiency, creativity and resilience, the response by many governments and policy makers was to regard it as a hindrance to modernisation and advancement (formalisation). Indeed, it is telling to note that the informal economy has had many "brand names" since its inception. It has been variously termed as the irregular economy, petty commodity production (Marx, 1972), the subterranean economy (Gutmann, 1977), the underground economy, the shadow economy (Schneider & Enste, 2003; Williams & Windebank, 1998), non-standard, atypical, alternative, irregular, precarious (Hussmanns, 2005) and so on.

Akin to the ILO Kenya mission, all these terms depict the informal sector as subsidiary or marginal and not related to the formal sector or to contemporary consumerist development, and also in a largely negative manner. In fact, some critics have continued to believe that the informal economy in developing countries such as Ghana, Kenya and others would fade away once these countries achieved satisfactory economic growth levels or progressive industrial development (Chen et al., 2004). However, this did not happen and today the informal economy is no longer considered as a temporary or residual phenomenon (Debrah, 2007; ILO, 2002b; Potts, 2008). Challenging the predictions of many economists influenced by the philosophy of Lewis in the 1950s, the informal sector in developing countries has been steadily growing during the last three decades or so (Becker, 2004; Debrah, 2007; Potts, 2008). This massive pool of excess labour has consequently formed its own source of livelihood to survive (Becker, 2004). Not only do most people in developing countries, especially Ghana, depend on the informal economy for their survival but also for generating income necessary for growing their businesses.

Unquestionably, the ILO (2002b) now asserts that there is a complex relationship between poverty and working informally, and working formally and escaping poverty. However, it is absolutely true that if one adopts a job-based definition and distinguishes workers according to whether they work in formal jobs or informal jobs, then a greater proportion of informal workers are poor relative to formal workers (ILO, 2002b). Previous studies in advanced, emerging and developing economies revealed the economic dynamism of unregulated income generating activities and more importantly how some

informal entrepreneurs earn more than actual workers of the formal economy (Lozano, 1989; Portes, Blizer, & Curtis, 1986; Williams, 2006). In the third (majority) world, most of the participants of the informal economy are poor (ILO, 2002b) but their activities cut across the overall social structure. That is, though they earn very little income, their contribution is of great value to the society. In the absence of informal workers there might be a break in the supply chain of some formal organisations. In this light, Castells and Portes (1989, p. 12) assert that 'there is a strong evidence of systematic linkage between formal and informal sectors, following the requirements of profitability' (see also, Birbeck, 1978; Brusco, 1982; Roberts, 1989). In certain situations multinational corporations facilitate the growth of the informal economy by using the informal workers as a conduit through which their goods and services reach the final consumer. For example, in Ghana it is common to find in the cities that street vendors are used as the normal means to sell some products during the introductory stage of those products' life cycle. Through word of mouth (WoM) marketing communication consumers become aware of these new products and this is achieved through the informal workers.

The term "informal sector" was used throughout the economic development discourse from the 1970s until 2002 when, at the 17th International Conference of Labour Statisticians (ICLS), there was a debate on broadening the term to capture more activities. At this conference among the resolutions was the proposal for the term "informal economy" to replace the "informal sector" which was seen as a very narrow concept. The broader term "informal economy" was adopted to accommodate all activities that are – in law and practice – not covered or insufficiently covered by formal arrangements (ILO, 2002a). This, in fact, encompasses a continuum of petty trading for survival purposes for small and medium scale enterprises working in various industrial and mercantile activities with the view to making more money than via the formal economy. Before beginning to unravel the complex relationship between poverty and informal work, as well as between formal and informal work, it is important to define what is meant by the informal economy. It is to this issue, therefore, the attention now turns.

2.2 Defining the informal economy

Following Hart's study in Ghana and his use of the term "informal sector", there has been considerable debate about exactly what the term means. Despite the vast amount of literature on the informal economy, defining it remains something of an academic tug of war. In this section, the intention is to review some definitions given by ILO and other previous researchers and this will be followed by the adoption of a working definition for this thesis. It may be argued that it is an extremely difficult task to provide a precise and a clear-cut definition of the informal economy and thus to be able to measure its size and character in any given economy (Abedian & Desmidt, 1990; Sethuraman, 1981). This is not to say that it is impossible to define informal work but the intrinsic nature of informality renders the task somewhat difficult. Some observers feel that the sector is simply too varied or heterogeneous to be meaningful as a concept (Peattie, 1987). One of the major concerns aroused by the wider literature is possibly the lack of an agreement over a fitting definition of the informal economy. From the ILO mission in Kenya (ILO, 1972) to the decent work and informality project (ILO, 2002b) until today, an international standardised definition remains an illusion. Though the ILO has tried since 1993 to come up with an international definition, it was the conceptual framework developed in 2002 that was endorsed as an international statistical standard definition (Hussmanns, 2005).

For some, (e.g. Hart, 1985; Pradhan & van-Soest, 1995; Sethuraman, 1981) the definition is unsystematic to some degree and depends on the particular research objective. Although many have tried to offer a comprehensive definition of informal work, it remains contested, which offers fertile ground for research in this area. Again, what is considered informal work changes from one country to another and from one commentator to another. Given that informal activity is carried out in different forms, selecting a precise standardised definition presents many challenges. Possibly, the best way to define it is through depiction of its characteristics (Losby et al., 2002). Until now, the term "informal economy" has been used as an umbrella category to capture a wide range of endeavour, including tax evasion, welfare benefit abuse, moonlighting, voluntary work, self-provisioning, self-employment, domestic labour and criminal activity (Leonard, 1998a; Williams & Windebank, 1998). Part of this definition relates more to the western

economies, for example, welfare benefit abuse. The informal economy has been viewed by some writers as "black market", "criminal", "underworld/underground", "turned-upside down", "cash-in -hand", "hidden enterprise" and the like (e.g. Feige, 1990; Williams, 2006; Williams & Windebank, 1998). There are also those who accept as true that there are more positive attributes to the informal economy and have branded it an "alternative", "Shadow", "parallel", "clandestine", and "household economy" (e.g. Charmes, 1990; de Soto, 1989; Gerxhani, 2004). Below, a range of the definitions of informal economy is reviewed.

The debate on the definition of the informal economy has been a persistent one and continues today. However, the ILO, which has been at the forefront of this whole idea of informal work and workers, has been trying to come up with a standard definition. In 1993, at the Fifteenth International Conference of Labour Statisticians (15th ICLS), there was a consensus to identify a definition that might clear up the ambiguities arising from definitions of the informal economy by different writers and researchers. As a result, the 15th ICLS (ILO, 2000) defined 'employment in the informal sector as comprising all jobs in informal sector enterprises, or all persons who, during a given reference period, were employed in at least one informal sector enterprise, irrespective of their status of employment and whether it was their main or a secondary job' (Hussmanns, 2005, p. 3). This could not end the search for a lasting solution to the definition of the informal economy.

The ILO definition of 1993 was seen at the time as perhaps the most comprehensive and was given wider purchase. According to the ILO (1993), the informal sector may be broadly characterised as consisting of units engaged in the production of goods or services with the primary objective of generating employment and incomes for the persons concerned. Here the informal economy may be sub-divided as comprising own-account enterprises and enterprises of informal employers. The informal own-account enterprises include all own-account enterprises and/or those that are not registered under particular forms of government regulation. The enterprises of informal employers, according to ILO (1993), are household enterprises owned and operated by employers, either alone or in partnership with members of the same or other households, which employ one or more employees on a continuous basis. Again, the enterprises of informal employers may be defined, depending on the national situation, in terms of the size of the unit

below a specified level of employment and non-registration of the enterprise or its employees. The ILO 1993 definition, like its predecessors, did attract some criticism on the basis that people engaged in very small-scale or casual self-employment activities may not be considered in statistical surveys to be self-employed, or employed at all, even though their activity falls within the enterprise-based definition (Hussmanns, 2005). This therefore led to the device of a conceptual framework for defining the informal economy, a step toward the beginning of the end of the search for a lasting solution to defining informal economy.

2.2.1 The conceptual framework for defining informal economy

Ten years later, in 2003, the ILO was no longer convinced that the 1993 definition alone could capture all the goings-on in the informal economy. This necessitated the endorsement by the 17th ICLS of a conceptual framework that related to the enterprise-based concept of employment in the informal sector in a logical and reliable manner by means of a broader job-based concept of informal employment. The use of this conceptual framework is in harmony with recent rethinking concerning the main theories about the informal economy. The enlarged conceptual framework for defining the informal economy consists of informal work both within and outside informal enterprises. On the one hand, informal enterprises comprising own-account small unregistered or unorganised enterprises are considered as informal employment within the informal enterprise. On the other hand, informal employment outside the informal economy includes people who are employed by formal enterprises, households or by no fixed employer on an informal basis. The expanded framework has facilitated far-reaching discourse of the relationship between formal and informal economy.

According to Hussmanns (2005, p. 2), the International Labour Conference (ILC) used the term "informal economy", which replaces the long-known "informal sector", as referring to 'all economic activities by workers and economic units that are in law or practice – not covered or insufficiently covered by formal arrangements' (ILO, 2002a). The ILO intended to create a definition that covered a wider area than a sector. The 15th ICLS

defined informal enterprises, using the criteria identified by Hussmanns (2005, p. 3), as follows:

- They are private unincorporated enterprises (excluding quasi-corporations), i.e. 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 cooperatives formed by members of different households, if they lack complete sets of accounts.
- All or at least some of the goods or services produced are meant for sale or barter, with the possible inclusion in the informal sector of households which produce domestic or personal services in employing paid domestic employees. Their size in terms of employment is below a certain threshold to be determined according to national circumstances, and/or they are not registered under specific forms of national legislation (such as factories' or commercial acts, tax or social security laws, professional groups' regulatory acts, or similar acts, laws or regulations established by national legislative bodies as distinct from local regulations for issuing trade licenses or business permits), and/or their employees (if any) are not registered.

According to the ILO a critical evaluation of these criteria showed that they did not capture all that goes on in the informal economy, as a result there was the need to have a broader definition that may have a wider coverage hence the development of the conceptual framework for defining the informal economy. Figure 2.1 depicts the conceptual framework that was endorsed by the ILO. This conceptual framework has also been adopted largely in this thesis to define informal economy.

Product units by type	Jobs by status in employment								
	Own-account workers		Employers		Contributing family workers	Employees		Members of producers' cooperative	
	Informal	Formal	Informal	Formal	Informal	Informal	Formal	Informal	Formal
Formal sector enterprises					1	2			
Informal sector enterprises [a]	3		4		5	6	7	8	
Households [b]	9					10			

Figure 2.1 Conceptual framework: informal employment (Hussmanns, 2005, p. 27)

(a) As defined by the Fifteenth International Conference of Labour Statisticians (excluding households employing paid domestic workers)

(b) Households producing goods exclusively for their own final use and households employing paid domestic workers.

Note: Cells shaded in dark grey refer to jobs which, by definition, do not exist in the type of production unit in question. Cells shaded light grey refers to formal jobs. Un-shaded cells represent the various types of informal jobs.

Informal employment:	Cells 1to 6 and 8 to 10
Employment in the informal sector	Cells 3 to 8
Informal employment outside the informal sector	Cells 1, 2 9 and 10

- Cells 1 and 5 consist of contributing family workers, irrespective of whether they work in formal or informal sector enterprises. This type of informal worker more often than not has no written contracts of employment; as a result labour laws, social security guidelines, collective agreements and the like do not protect their employment. In effect these workers have no social protection.
- Cells 2, 6 and 10 comprise employees having informal jobs, whether employed by formal sector enterprises as shown by the grey part of cell 2, or informal sector enterprises, or as paid domestic workers by households as depicted by cells 6 and 10.

- Cells 3 and 4 involve own-account family workers, and employers employed in their own informal sector enterprises. Here it is extremely difficult to split the own-account workers and employers from the kind of enterprise they own. The nature of their jobs follows directly from the characteristics of the enterprises they own.
- Cell 7 depicts employees or workers having formal jobs in informal enterprises. This normally happens when enterprises are defined as informal based only on the size or where there is no administrative link between the registration of employees and that of their employers.
- Cell 8 is made up of members of informal producers' cooperatives. Here too, the nature of their jobs follows directly from the type of the cooperative of which they are members.
- Cell 9 consists of own-account producers of goods wholly for final use by their own households. (e.g. subsistence farming or do-it-yourself construction of own dwellings).

The ILO additionally concluded that informal activities are separate from criminal and illegal activities such as smuggling illegal drugs, which are not fit for regulation or protection under labour law or commercial law. Once more, the ILO proposed that a further major characteristic of the new conceptual framework should be to give a picture of a continuum of production and employment relationship. This is significant in that there is no defined distinction between formality and informality. The grey areas in the conceptual framework depict the blurred relationship between the two (formal and informal) economies.

2.2.2 Examining other definitions

It is also prudent to review some of the definitions provided by previous researchers in this area. This helps understanding of the variations in different definitions. For Leonard (2000, p. 1072),

> 'the informal economy is viewed as the myriad of ways of making a living outside the formal economy, either as an alternative to it, or as a means of supplementing income earned within it. According to him many of these activities take place between friends, neighbours and relatives and

> may be legal, quasi-legal or illegal depending on whether cash or kind forms the medium of exchange. For the purposes of clarity, three specific areas will be examined: reciprocity between households, self-employment and paid informal employment'.

These activities illustrate a blend of paid and unpaid informal economic activities. According to this definition, the dualistic relationship between the formal and informal economy is maintained because informal work is seen as existing outside formal work. It also shows a clear distinction between the formal and informal economy. Other key features of this definition are that it favours the legalist (as an alternative to formal work) and also the complementary (supplementing earnings) views.

Examining solely paid informal work, Williams and Windebank (1998, p. 1) define informal employment as the 'paid production and sale of goods and services that are unregistered by, or hidden from, the state for tax, social security, and/or labour-law purposes but which are legal in all other respects' (see, Feige, 1990; Portes, 1994; Thomas, 1992). In this definition, the formal and informal economies have a link that can be explained in terms of a legal framework. The definition is not limited to informal work within the informal enterprise but also includes informal work outside the informal enterprise; that is, a formal enterprise conducting part or the whole of its activity informally.

Becker (2004), too, asserts that informal enterprises are characterised as informal because they hardly ever comply with all the relevant employment regulations, for example, concerning registration, tax payment, conditions of employment and operating licences. Becker also is concerned with the legal distinctions between formal and informal activities.

For Chen et al., (2002, pp. 5-6), 'the term "informal sector" is invoked to refer to street vendors in Bogotá, rickshaw pullers in Hanoi and Calcutta, garbage collectors in Cairo, home based garment workers in Manila, Madeira, Mexico City and Toronto, and home based electronics workers in Leeds, Istanbul, Kuala Lumpur'. As indicated by Chen et al. (2002), those who work in the informal economy can be functionally categorised according to the following employment statuses;

- Non-wage workers, namely employers, including owners of informal enterprises,

owner operators of informal enterprises, the self-employed, including heads of family businesses, own-account workers, unpaid family workers,

- Wage workers, including employees of informal enterprises, domestic workers, casual workers without a fixed employer, home workers, and unregistered workers.

It is acknowledged that some people may belong to more than one of these categories: what Palmer (2007a) referred to as "occupational pluralism". This, therefore, limits the precise definition or classification of the informal economy concept.

2.3 Defining the informal economy in terms of its characteristics

As mentioned in the previous section, due to the difficulty in precisely defining the informal economy, many commentators review various characteristics often associated with formal and informal work (Losby et al., 2002) in forming their own definitions. Although such definitions of informal economy by different writers include some relevant characteristics, they are not explained in detail. This study also focuses on defining informal economy in terms of its characteristics, and some of the key characteristics that have been subject to a great deal of attention in previous attempts to define informal work are briefly reviewed below.

2.3.1 Legal against illegal status

The issue of the relationship between legal and illegal and formal and informal work has long been debated. The general belief is that informal activity could be either legal or illegal, as enshrined in the definition given by Williams & Windebank, 1998. One can only determine this by how goods and services are produced and exchanged. This definition by Williams & Windebank specifically excludes all activities which in themselves are illegal in the eyes of the state and may result in criminal convictions for those found to be carrying out such activities. Classic examples could be provided by drug trafficking or prostitution; in Ghana, as in many other countries, these are criminal activities and therefore do not come under the umbrella of the informal economy. According to Cross (2000, p. 32), 'perhaps the best theoretical definition is provided by Portes et al. (1989a): the

informal sector is comprised of activity that uses illegal means to produce legal products'. Losby et al. (2002) offer a further example: 'food, clothing and childcare services are legal commodities but may originate from both legal regulated or unregulated production arrangements. Chen (2005) has this to say in terms of legal or semi-legal activities of the informal economy:

> 'Previously, there was a widespread assumption that the informal sector was comprised of unregistered and unregulated enterprises whose owner operators choose to avoid registration and, thereby, taxation. While it is important to understand informal employment in relation to the legal framework in any given country, this is far from being the whole story. There is a distinction between illegal processes or arrangements and illegal goods and services. While production or employment arrangements in the informal economy are often semi-legal or illegal, most informal workers and enterprises produce and/or distribute legal goods and services (p. 6)'.

In terms of the legality or illegality of the informal economy, the onus rests on the socio-cultural underpinning of time and space within which informal activity occurs in a specific country. Differences in cultures make it difficult to standardise and harmonise the legal system among nations regarding informality, even in this globalised and commodified world. This is partly explained by the fact that an informal activity in one culture may well be a criminal activity in another (Cross, 2000). A classic example is given by Cross (2000, p. 33),

> 'Marijuana grown by the United Stated Department of Agriculture is legal, that grown by Uncle Bob in the hills is not. Coca leaves grown in Peru for chewing is legal (with the appropriate permit) that grown for processing into cocaine and thus without a permit is not'.

The point at which legality ends and illegality starts is blurred and institutions of law sometimes use their discretion to the detriment of the informal worker. The next section discusses the main medium of exchange within the informal economy.

2.3.2 Cash the common medium of exchange

In advanced or western economies, it is easier to assert that cash is the common medium of exchange in the informal economy (Williams, 2006), partly due to the fact that the economy is highly monetised. The reason put forward by Losby et al. (2002) is that using cash also helps to avoid creating a record of activity that may well serve as evidence in case such activity comes to light. This is what others call "cash-in-hand", "off-the-books", "underground" and the like (e.g. Williams & Windebank, 1998). Conversely, in developing countries, both cash-in-hand and/or exchange of service, which is often called bartering or swapping, may well be included in the definition of the informal economy (Losby et al., 2002). It is important also to acknowledge that in advanced countries barter or non-cash exchanges still do exist and so too are they often treated as part of the informal economy so far as tax and social security offices are concerned (Williams, 2006).

2.3.3 Unprotected income or wages

Due to the nature of exchange, which could be cash-in-hand or bartering, more often than not there are no records of these transactions which could serve as the basis for the tax authorities to calculate the income or any other form of tax. This happens in all areas of informal exchanges. Employers who employ informally do not keep any records of their informal workers (Losby et al., 2002) and this makes it difficult to trace any resulting income or wage. In advanced economies it may be said that not all the informal activities are exposed to the full glare of the state agencies and their tax assessment and regulatory powers (Losby et al., 2002). However, in developing countries such as Ghana, almost all informal activities are carried out in the full view of state officials in broad daylight. The question then is why the tax authorities do not tax or regulate the informal activities. The answer to this may well be political. For many years, informal workers in Ghana did not pay specific forms of tax, though the payment of daily market tolls, renewal of licences, and other payments were part of the informal economy. However, in recent years, informal economy operators have paid a flat/fixed tax to the government through the Internal Revenue Service (IRS), but this tax is not based strictly on income. The analysis of the data collected from the IRS reports on: the type of tax paid by the informal operators, clarity on

who pays the tax, a description of how the tax is determined and commentary on what happens to the tax after it is collected.

2.3.4 Conditions of labour

This describes the environment within which informal activity takes place. This includes labour laws, health and safety or location of activities that disregard zoning laws (Castells & Portes, 1989). The general perception is that the informal economy is seen as an inferior alternative to the formal economy in terms of earnings, security and protection from exploitation regarding labour standards. On the one hand, the formal economy is regarded as secure, protected by labour legislation, better paid and subject to "normal" benefits such as annual leave, pension provision and so on. On the other hand, informal employment is believe to be unregistered, unprotected and does not enjoy the benefits and security connected with formal work.

However, the term "informal" does not suggest that there are no rules or norms controlling the activities of workers or enterprises (ILO, 2002b). Those who take on informal activities have their own 'political economy' – their own informal or group rules, arrangements, institutions and structures for mutual help and trust, offering services such as credit provision, training, technological transfer and skills, market and trading access, enforcing obligation and the like (ILO, 2002b).

Having reviewed some definitions of informal economy, one key observation is that there is a widespread belief that the informal economy is an unorganised sector and unregistered for tax purposes. However, this may only hold to a certain extent in Ghana. Informal work may in general be unorganised activity or unregistered, but some informal work is both organised and registered for tax purposes. Indeed, the Ghana Private Roads Transport Union (GPRTU) is a well-organised informal association with membership of the Ghana Trade Union Congress (GTUC). According to Croucher (2007), 'the GPRTU is Ghana's fifth largest union' within the GTUC fold. They pay what the tax authorities called vehicle income tax (VIT) but the difference here may well be that they pay a fixed form of tax regardless of the size of their income. Not only do the members of the GPRTU pay this tax, but also other organised or unorganised commercial vehicle

operators. The ordinary market operators as well as artisans also pay a tax called tax stamp (TS). Besides exerting influence through membership of the GTUC, the GPRTU also has a huge influence on the government's transport policies, especially those relating to road transport. For many years it has determined transport fares for all commercial drivers across the country with few exceptions. This raises serious questions regarding what constitutes informal work and what does not.

Although these workers define themselves as operating in the informal economy, under many definitions, they would not be classified in this way. It is a very complex situation because the drivers and their mates do not pay the tax from their income but by the lorry or bus owner. The GPRTU is made up of vehicle owners, owner-drivers and other drivers and their mates. They protect the interests of these members, especially those of non-owner drivers and their mates, particularly when their employers (vehicle owners) are in breach of their employment terms which are more often in the form of a verbal agreement. According to many definitions, in consequence, these workers would be defined as formally employed. This displays the importance of being clear as to what is being discussed when analysing the informal economy. It is also important to be more explicit here in terms of formality. Apart from their payment of the flat tax, these informal workers cannot be termed as formal employees in any other aspect.

Here, therefore, a working definition is adopted so that it becomes clear what is included and excluded. For the purposes of this thesis, guided by the ILO definition of informal work and the subsequent expanded conceptual framework and taking account of other definitions, I believe the ILO definition is the best working definition. At this point, the "informal economy" is defined as '*all economic activities by workers and economic units that are in law or practice – not covered or insufficiently covered by formal arrangements' (ILO, 2002a, p. 4)*. This definition in my view caters for the grey areas between formalisation and informalisation as shown by the ILO conceptual framework for defining informal economy in figure 2.1. This conceptual framework, as explained above, shows what is included in or excluded from the informal economy. As a consequence it has been adopted in this study to throw more light on the formal and informal work dualism. The conceptual framework reinforces the view that there is no defined dichotomy between formal and informal work to oppose the dualist view. In fact, the emerging view

of the conceptual framework is that the relationship between formal and informal economy is far from dualist.

The study adopted the ILO (2002a) definition instead of the author's own definition. I believe that this definition satisfies my views about the informal economy and what constitute informal work. Because of the nature of informal economy in Ghana unlike the western informal work defining it may suggest to others as formal work partly because of payment of tax which has in it some aspect of government regulation. Although, the ILO definition does not specifically mention about the payment of tax by informal workers, the view that it is not insufficiently covered by legal arrangement may well implied that there is some form of formality inbuilt into the informal system.

2.4 Contrasting informal work and payment of tax in Ghana

Throughout the literature the emerging view has been that the informal worker generally avoids payment of tax. This therefore narrows the debate in a situation where payment of tax is an integral part of the informal economy. One of the surprising findings of this study related to the payment of tax by informal operators in Ghana. What makes this so important and more contentious is that the tax is collected by the official government agency (the Internal Revenue). The main argument in this study is that the payment of the so-called formal tax in Ghana's informal economy does not make that economy formal. Some of the reasons are listed below:

- First, the tax is a flat tax across the informal economy regardless of the income of the taxpayers and this is seen as a highly regressive form of tax. For example, the VIT, which is levied on commercial vehicles, takes no consideration of the income earning ability of the vehicles on which the tax is levied. A detailed discussion on this can be found in Chapter Five. At least two people: the driver and his mate, normally manage commercial vehicles. Some of the drivers are owners but the majority are employed by vehicle owners. It is the owner who pays the driver and the mate and the wages do not attract any form of tax. There is no evidence at this stage as to whether the owner adjusts the wage by the corresponding amount of the VIT.

- Second, taxes such as the TS are levied on activities that have permanent locations (i.e. stores, kiosks, containers and others). So, those informal workers who have no permanent location and are itinerant are automatically excluded from paying this tax. The TS, like the VIT, does not depend on income. Whether the operator makes a profit or not, s/he has to pay the tax so long as the premises remain open for business.

However, the payment of tax may prepare the informal workers for formalisation of the informal economy. As things stands now it would be absurd to conclude that payment of tax is synonymous with formality. The focus now turns to the types of informal work.

2.5 Types of informal work

The preceding section discussed some definitions of informal economy by previous researchers in this area as well as the ILO and the adoption of a working definition for this study. This section concentrates on the types of informal work, irrespective of location. Akin to other economies in Africa, the economy of Ghana has always been dominated by micro and small-scale economic activities that are purely informal and are conducted on the basis of survivalist motives.

As mentioned previously, broadly speaking, the informal economy can be categorised into paid and unpaid informal work (Chen et al., 2002; ILO, 2002 Williams & Windebank, 1998). According to the 15th ICLS (ILO, 2000), informal employment comprises all jobs in the informal economy enterprise, or all persons who, during a known period of time, were employed in at least one informal economy enterprise, regardless of their status in employment and whether it was their main or secondary job (Hussmanns, 2005). Here, the informal economy is divided into two basic types of activity, namely paid informal work and unpaid informal work. Each is here defined in turn.

2.5.1 Paid informal work

As indicated earlier, according to Williams and Windebank (1998, p. 1), paid informal work involves the paid production and sale of goods and services that are unregistered by, or hidden from, the state for tax, social security, and/or labour-law purposes but which are legal in all other respects. As such, the definition adopted here covers only activities that are illegal because of their non-declaration to the state for tax, social security, and/or labour-law purposes. According to Williams and Windebank, the informal economy denotes a considerable and rapidly growing mass of labour undertaking paid economic activities which extend well outside the arena of the formal wage economy.

Within this definition of paid informal work, various types of paid informal work and worker exist. They include own-account (self-employed) workers, often engaged in survival–type activities such as street vendors, shoe shiners, garbage collectors and scrap, rag-pickers; paid domestic workers employed by households; home workers and workers in sweatshops who are 'disguised wage workers' in production chains and the self-employed in micro enterprises operating on their own or with contributing family workers or sometimes apprentices/employees (ILO, 2002b). The paid informal work includes informal workers inside and outside the informal economy. For example, workers in a sweatshop may be part of the value chain of a formal economy enterprise. This diversity is important because different problems and needs require different solutions. In terms of poverty, although it is not necessarily the case that all those working informally are poor and those working formally break away from poverty (ILO, 2002b), it is generally the case that informal workers, especially in developing countries, are poor relative to those working in the formal economy. Ghana is no exception in this case (Chen et al., 2002; Chen et al., 2004; Debrah, 2007).

Evaluating the paid segment of informal work in Ghana, one realises that the paid informal economy constitutes a minute fraction of overall informal activity in the country. The Ghana Statistical Service (GSS, 2002) reveals that 14.5% of the total labour force is made up of formal employees, 5.1% are self-employed with employees, as against 65.7% who are self-employed with no employees. Unpaid family workers account for 8.8%, apprentices 3.8%, domestic employees 1.3% and others 0.8%. In terms of the study area -

Koforidua, formal employees make up 11.3% of the workforce, self-employed with employees 4.2%, self-employed with no employees 76.8%, unpaid family workers 3.6%, apprentices 3.1%, domestic workers 0.6% and others 0.4% (GSS, 2002). These statistics support the fact that the informal economy is the "mainstream" economy in Ghana as far as the number of people (participation rate) engaged in it is concerned. However, the paid informal segment becomes marginal when the self-employed with employees are termed as denoting paid informal work. It is also proper to define the economically active population in Ghana. Ghana like any other country has her own definition of the economically active (potential labour force) population. In Ghana the legally defined working age group is 15-64 years but as the GSS (2002, p. 9) informs us:

> 'In all societies, however, there is room for those outside of the legally defined group (15-64) to engage in lawful activities for themselves or their families. There is enough evidence in Ghana, for instance, that, children as young as 7 years do engage in family enterprises while retired persons also engage in active economic pursuit. The population interest therefore covers those aged at least 7 years at the time of the census'.

This definition tends to swell the numbers in the informal economy in Ghana. In cities like Accra, Kumasi, Takoradi and Koforidua to mention but a few, children aged between 7 and 14 years are believed to be the most active in the hawking and street vending sub-sectors of the informal economy. This is the population that should be in school in fulfilment of the United Nation's Millennium Development Goal (MDG) of achieving universal basic education for all children by 2015.

On the contrary, they are actively pursuing economic activities, mainly due to the low income of their families. It may be argued that these children are no strangers to poverty. The outcome is that the future development of the country may be at risk because the potential future leaders who are supposed to be in school are on the streets doing business. Although they are helping their respective families to subsist, they may not be able to contribute to making poverty history for their generation and beyond. The United Nations (UN) and other International institutions such as ILO and Save the Children are against child labour in any form or shape, but the socio-cultural fabric of Ghanaian society tends to support child labour as a result of poverty. The state is seen as not

showing much leadership in controlling child labour in Ghana. Government displays of concern over child labour are just part of the political gimmicks and rhetoric at all levels of political discourse. Street vendors continue to proliferate in the streets of the cities and the outcome is that they are, more often not, harassed by the city managers and the sometimes unacceptable results were observed during the field study.

2.5.2 Unpaid informal work

Indeed, unpaid informal work is more often than not ignored in terms of its contribution to the overall national economy. In spite of its value, little or no attention is given to it in the public policy discourse. Broadly, unpaid informal activity can be grouped into two types, namely "self provisioning" and unpaid community work. For Williams (2005, p. 15), "self provisioning" refers to the unpaid household work undertaken by household members for themselves or for other members of their household. The other end of the unpaid informal work, according to Williams (2005, p. 15), is the 'unpaid community work which is work provided on an unpaid basis by and for the extended family, social or neighbourhood networks and more formal voluntary and community groups and ranges from kinship exchange through friendship/neighbourly reciprocal exchange to one-way volunteering for voluntary organisations'. Family members customarily have been the major source of unpaid informal work (Zukewich, 2003) and women continue to undertake the majority of unpaid work in both developed and developing countries. For the purposes of this thesis, unpaid informal work may include cooking, housekeeping, household maintenance, childcare, and the like which is conducted for the good of family members or kin, other households, community and so on. In some cases, unpaid work is seen as a payback to the community for the benefit of others.

The unpaid segment of the informal economy, as evidenced by the GSS (2002) report, includes family workers 3.6%, apprentices 3.1%, domestic workers 0.6% and others 0.4%. This work ranges from family labour in agriculture, apprentices, children working for themselves or family, communal labour within the rural and urban areas and others. Family labour is the most important source of labour in the informal economy and includes child labour in both rural and urban areas in Ghana, especially in agriculture and

commerce sub-sectors of the informal economy. Even though cash exchange is very unusual, there is some form of reward in kind. For example, migrant workers, wherever they are working, usually receive their reward in kind. Apprentices are not paid in most cases but they are provided with food and in some situations shelter (accommodation). There are also reciprocal favours which are unpaid. In Ghana, especially in the rural areas, reciprocal favours take the form of an arrangement where a group of farmers within a specific locality agree to be tied by a common agreement to pool their labour to assist each other in turn. This is locally known as "Nnoboa" in Akan language. There are other communal works which are carried out by the members of a particular community for the community. For example, general cleaning within the community from time to time, supporting self-help projects such as construction of an educational or health facility and others. With these projects the community's contribution more often than not takes on a non-financial form: labour or other local materials. This is known as "Oman Adwuma", which in Akan literally means "communal labour". Sometimes there are sanctions (like a monetary payment to the community's coffers) for those who deliberately refuse to participate in the communal labour. Failure to honour this payment could land the culprits in the formal judicial system and may result in a prison sentence or a hefty fine. The underlying aim of the fine is to serve as a deterrent to others in the future.

2.5.3 Self-provisioning in Ghana

Self-provisioning, according to Hussmanns (2005), is the act of households producing goods and services for their own final consumption (e.g. subsistence farming, do it yourself (DIY) construction of own dwellings and so on). Ghana like many other SSA countries is a diverse country with heterogeneous ethnicity. Culturally, within this diversity, people hold family (extended) ties in high esteem (Hanson, 2005). In a typical Akan community such as the study area (Koforidua), the construction of houses embodies this strong family bond. In Ghana these houses are mostly called "rooms compounds" (GSS, 2002) locally called "efitwahyia". These rooms compounds are constructed with a central courtyard within the house surrounded by rooms. In these houses live different households and family members

of various generations. In some cases, people may live there "forever", until death do them part. This also explains why there are more households in a single house in Ghana and other SSA countries than tends to be the case in the western cultures. The recent fifth round of the Ghana Living Standards Survey (GLSS 5) defines a household as 'a person or group of persons who live together in the same dwelling, share the same house-keeping arrangements and are catered for as one unit' (GSS, 2008, p. 4). The composition and structure of Ghana households are a reflection of the social structure of the society (GSS, 2002). According to the GSS (2002, p. 7), 'unlike the typical nuclear family household one finds in the western world, the household in Ghana is still traditional in structure in spite of modernization and the erosion of the traditional extended family household composition'.

The foundation of the Ghanaian society is the extended family system, within which individual members normally play diverse roles. Traditionally there are two inheritance systems in Ghana, namely patrimonial and matrimonial. However, the type of inheritance depends on one's ethnic origin. Akans, who mostly favour matrimonial inheritance, dominate the study area but authority and responsibility are distributed along gender lines. On the one hand, the males (mainly husbands, brothers or uncles) are generally regarded as the head of the household, tasked with the responsibility of providing the basic needs of life (food, shelter, clothing) for all the family members, guaranteeing the safety of family members and property and also undertaking all other work of a physical nature. On the other hand, the females (mother, wife, sister, aunt, grandmother) are considered as carers for the children, prepare meals, clean the compound, do laundry and also in some cases work on the farm. In a typical farming community, the husband and the wife may work on the farm but when they are coming home from the farm, the wife may be carrying a baby on her back, foodstuffs in a basket or wooden container on her head, but the husband may be walking majestically alongside her, empty handed. When they get to the house, the common practice is that the wife again will prepare the food for the family with assistance of her children, if there are any, but the husband is the first to be served and enjoy the best part of the meal. A very important aspect of the self-provisioning is the work of grandparents. In most situations they stay at home caring for the children, telling them folk tales, locally known as "Anansesem", and stories from history, teaching them manners, values, culture and more importantly religion. There are many more roles

conducted by the household and the extended family members than can be discussed here. There is a high level of sharing and caring among family members (looking after one another) which sometimes hinges on religious and cultural values and is based on mutual trust and benefit. This study collected data on household size, number of people per house, number of rooms per house to ascertain the level of family connections and the impact on self-provision. The key issue here is that none of these activities are considered as a major component of the informal economy, partly due to the non-monetary value nature of such work. However, they are useful components of the survival tactics of informal workers that should not be relegated to the background in the overall local or national economy estimates.

2.6 Community exchange

Community exchange may be referred to as the provision of material help on a one-to-one basis within the extended family, social and neighbourhood network (Williams & Windebank, 2000).

2.6.1 One-way exchange (Voluntary groups)

According to Amis & Stern (1974, p. 91), voluntary association has been defined as an 'organisation that people belong to part time without pay such as clubs, lodges, good works agencies and the like'. For years, voluntary groups have played and continue to play a central role in the socio-economic development of nations including Ghana. A number of these voluntary groups are international (e.g. Doctors without Borders, the Red Cross, Care International, Rotary International and many more); there are others which are local voluntary groups and non-profit foundations such as the Ghana Education Coalition and the Obra Foundation. These organisations offer invaluable services to the communities for free, that is unpaid informal work in the areas of health, education, trade, vocation, agriculture, all the way through to environment, manufacturing, finance and transport. For example, the Ghana Education Coalition has been offering educational programmes to deprived communities throughout the country. Also, for many years, the Obra Foundation has concentrated on the provision of educational infrastructure for very deprived

schools, mainly in the West Akim District in the Eastern Region of Ghana. In addition, it trains some of the youth as peer educators to engage in HIV/AIDS education campaigns against further spread of the disease, especially within the local area. The contributions of these voluntary organisations are enormous but they often go unreported and are not valued in a monetary sense in terms of their worth to the socio-economic development of Ghana.

2.6.2 Two-way exchanges (Reciprocity)

As Williams & Windebank (2002) inform us, two-way community exchange refers to the provision of material help on a one-to-one basis within the extended family and social or neighbourhood networks. In Ghana, the reciprocal exchange is more vivid in the rural informal economy, especially in the agricultural sector. This takes the form of an arrangement by which a group of farmers within a particular locality bond through a common agreement to pool their labour to assist each other in turn. It is locally called "Nnoboa" in Akan as highlighted previously. The community exchange is also organised along social network lines. As Hanson (2005, p. 1292) puts it, 'frequent contact fosters shared values, increases mutual awareness of needs and resources, encourages reciprocal exchange and facilitates the delivery of assistance'. The community exchanges seldom involve monetary exchange in Ghana. The assumption here is that those who engage in the community exchange may not have enough money to hire the service of others and therefore will contribute to each in terms of services. The benefit is enormous because of the associated synergies. For example, if one person were to clear a piece of land for cultivation by himself, s/he could only achieve a little, whereas four or five people pooling their strength would bring about maximum returns. According to Williams (2007), creating monetary transactions in the community exchange might shift it from the non-market arena of reciprocity into the market territory.

2.7 Chapter summary

This chapter started by reviewing the historical origins of the informal work concept. The main finding was that this type of work had a long history prior to its identification in Ghana in the early 1970s (Hart, 1973). In spite of its long history, it was not until Hart's work in Ghana and that of the ILO mission in Kenya that informal work was recognised in the economic development literature. The chapter then discussed how the concept has subsequently been defined. Over the past decades, a considerable amount of research has been conducted to uncover the nature of informal work. Until now, however, there has been no consensus about either how to define it, its nature or how this issue should be addressed. As Jütting et al. (2008) inform us, there is no single internationally accepted and operational definition or indicator of informal employment, and in practice a variety of definitions and indicators are used. Defining informal economy still remains a Herculean task for academics, researchers and professionals in this area of inquiry. The ILO conceptual framework for defining informal economy is seen as a major step forward towards the realisation of an international definition. In this section, concentration was on the ILO definitions, including the new conceptual framework for defining informal work. In addition, some definitions of previous researchers in this area were reviewed. Dwelling more on the conceptual framework, it became clear that there are some grey areas between formality and informality within any given economy and that there is no clear-cut separation between them.

Having discussed the various ways in which informal work is defined and the adoption of a working definition based on the conceptual framework, the next section concentrated on discussion of the different types of informal work and the relationship between informal workers and the kind of activity they are engaged in. The chapter also revealed that informal work might be defined in terms of paid and unpaid informal work. The next chapter examines the theoretical framework within which this study is located.

CHAPTER THREE

COMPETING THEORIES OF THE RELATIONSHIP BETWEEN THE FORMAL AND INFORMAL ECONOMY: A CRITICAL REVIEW

3.0 Introduction

The previous chapter presented a review of the historical origins of the informal economy, a number of important definitions, a proposed working definition and the types of economic activities included in or excluded from the concept of informal work. It was established in the last chapter that what constitutes informal work/activity/economy and so on is still not clear among researchers in this area. This chapter discusses the main theoretical perspectives or frameworks that are used for the evaluation of the relationship between the formal and informal economy in Ghana. Over the past few decades or so, various rival representations of the relationship between formal and informal work have emerged. According to Chen et al. (2004), there are three main theoretical perspectives on the informal sector. These are the dualist, structuralist and legalist approaches. Skinner (2002) also posits that there are two main theoretical perspectives that have replaced the dualist approach, namely the neo-liberal and the structuralist. This study, however, utilises the terms that are discussed by Chen et al. (2004), but uses the work of Williams (2006, 2007a) to add a fourth theoretical perspective, namely the complementary approach. These different theorisations of the informal economy view informal workers in different ways. Legalists, for example, largely depict informal workers as "own-account" or self-employed workers. Structuralists view them as waged workers (paid informal work) and dualists view them as marginalised populations, excluded from the formal economy, who eke out a livelihood in the informal economy as a last resort. The complementary perspective views the formal and informal as structurally interdependent. The next section begins to unravel the main ideas underlying the dualist perspective.

3.1 Dualist perspective

Conventional economic development theorists believe that the informal economy is a residual or temporary phenomenon that disappears as a result of industrial advancement (Willman-Navarro, 2008). The belief that the informal economy has only secondary significance has compelled many researchers to look for clarification as to whether this is always the case (Peattie, 1980; Williams & Round, 2009). The dualist view may be regarded as the oldest theorisation of the relationship between formal and informal economies. The cornerstone of this view is that there are two distinct economies (i.e. formal and informal) within an economy: where the former is read as having positive attributes such as "advancement", "development" and "modernity" and the latter as having negative attributes such as "traditional", "out-of-date" "under-development" and so on. The informal economy is made up of diverse operations, ranging from purely survival economic activities driven by necessity on the one hand and successful entrepreneurial activities that are opportunity driven on the other hand. However, the diverse nature of the informal economy does not necessarily imply that the two economies do not involve similar underlying economic factors (Potts, 2008). It has been established by many researchers, including Chen (2005); Skinner (2002) and Williams & Round (2008), working in different locations, that there is a strong relationship between formal and informal work. Evidence from the area covered by the current study also supports this claim.

As Becker (2004) proclaims, the dualists believe that the informal economy is a separate marginal economy, not directly linked to the formal economy, providing income or acting as a safety net for the poor (ILO, 1972). Potts (2008) also believes that the dualist theory is rooted in a mythical wisdom that there is no connection between the two sectors. As Chen (2005) puts it, the dualists argue that informal units and activities have few if any linkages to the formal economy but, rather, operate as a distinct, separate sector of the economy; and that informal workers constitute the less advantaged sector of a dual labour market (Sethuraman, 1976; Tokman, 1978). The main assumption here is that the informal economy will disappear from the economic landscape as nations attain a certain level of economic development (Chen et al., 2004; Hart, 1973; ILO, 1972; Sethuraman, 1976; Tokman, 1978; Williams, 2006, 2007). The outcome is that the informal economy is read

as a residue or leftover from pre-capitalism and it is constantly viewed as a sign of ''underdevelopment'', ''traditionalism'' and ''backwardness'' (Williams, 2008; Williams & Round, 2008b). This has led to an apathetic attitude being shown towards the informal economy over the years. The dualists believe that the continued existence of the informal economy is mainly due to the fact that there is an excess army of labour who are unable to secure employment in the formal economy and who therefore participate in the informal economy to avoid being unemployed. This is a view that has been around for decades. It is also believed that the impact of advanced capitalism, with its capital intensive technology, on countries with high population growth rate is responsible for producing such an uncharacteristically large reserve labour supply which never becomes absorbed into the modern (formal) employment sector (Quijano, 1969, 1972). Even though there has been increasing criticism of this view, especially in advanced economies, it may be difficult to make similar assessments of developing countries like Ghana. As a result, what this research is seeking to do is to investigate through empirical means whether the dualist view prevails from the point of view of respondents in this study in Ghana.

Another key assumption held by the dualists is that the mode of producing goods and services has been shifting gradually towards the formal economy (Williams & Round, 2008b). For those who hold this view, the march towards formalisation is inevitable in order to achieve economic development. As Williams & Round (2008a, p. 299) put it, 'the dualists perceive formalisation as organic and immutable and the informal economy as a leftover from pre-capitalism that is disappearing as the unstoppable march towards formalisation takes place'. Here, formalisation is seen as synonymous with economic development and advancement. This, therefore, puts countries where informalisation has taken hold of the economy as developing or under-developed. For Chen (2005), there are still misunderstandings as to the meaning of formalisation. Some believe that it involves informal enterprises in obtaining licences, registering their accounts and paying tax, whilst others have a divergent view. Looking at formalisation from this perspective may convince the self-employed that entry into the formal economy comes at too high a cost (Chen, 2005).

According to Chen et al. (2004, p. 17), the dualist school of thought, which was popularised by the ILO in the 1970s, subscribed to the notion that the informal sector is comprised of 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 (Hart, 1973; ILO, 1972; Sethuraman, 1976; Tokman, 1978). According to this school, the persistence of informal activities is due largely to the fact that not enough modern job opportunities have been created by the formal economy (public and private) to absorb surplus labour, owing to a slow rate of economic growth and/or to a faster rate of population growth. The dualist approach is the result of an amalgamation of what Williams (2006, 2007) calls the "formalisation thesis" and "marginalisation thesis". It is assumed that participants in the informal economy are those sections of the population who are marginalised from the formal economy and who engage in informal work out of economic necessity and as a last resort when no other opportunities are open to them (Button, 1984; Rosanvallon, 1980; Sassen, 1997b; Williams, 2006, 2007; Williams & Windebank, 1998). It is predominantly viewed as an urban phenomenon involving people who have no place in the modern (formal) sector (Hart, 1973) or retrenched formal workers of which women and migrants make up the majority. In terms of the marginality thesis, the informal economy is peripheral to economic development (Debrah, 2007; Leonard, 2000; Williams, 2006, 2007).

As Debrah (2007) posits, the informal sector is only a feature of peripheral economies and is therefore a transitory stage in economic development that is bound to disappear with the development of modern capitalism or free enterprise and only encompasses subsistence-level activities and income. Chen et al. (2004, p.22) recognise that, 'the recent re-convergence of interest in the informal economy stems from the recognition that the informal economy is growing and it is not a short-term but a permanent phenomenon'. They further argue that,

> 'It is not just a traditional or residual phenomenon but also a feature of modern capitalist development, associated with both growth and global integration. For this reason, the informal economy needs to be seen not as marginal or peripheral sector but also a basic component, the base, if you will, of the total economy' (Chen et al., 2004, p. 22).

Indeed, there are many researchers and institutions that support this view (Barthe, 1988; Glatzer & Berger, 1988; ILO, 2002b; Pahl, 1984). In recent years it has become apparent that the informal economy has become more resilient than ever before in national economies around the globe.

To evaluate the dualist perspective, it is important to ascertain whether formalisation has occurred in any economy. Seeing formalisation as the only trajectory to economic development has enormous consequences on the overall development. This is because only one aspect of the national economy is promoted, to the detriment of the others, and this could bring about what might be called lop-sided development. As Williams (2008, p. 109) states, 'yet despite the widespread acceptance of this thesis with its normative prepositions, little evidence is ever brought to the fore to corroborate that this is indeed the direction of change'. Evidence suggests that formalisation has not occurred in any economy, be it advanced or developing; instead the informal economy has expanded and become more resilient, even in western economies. Williams (2008) has applied the employment participation rate to evaluate the formalisation thesis. His conclusion is that these measurements do not offer any 'evidence of universal process of formalisation but rather portray the existence of divergent trajectories' (p. 109). The logical inference is that the development of the nation should not be placed only in the arms of formalisation: as informalisation is also necessary to ensure that there is judicious use of limited resources and to avoid waste in the economy.

In the third (majority) world the informal economy has been the mainstream economy for years, even before the advent of western capitalist imperialism, and this makes the formal economy look marginal, employing only a minute percentage of the potential working population. The belief that the informal activity is peripheral, scattered and fragmented across the economic landscape has been shown to be a fallacy (Chen et al., 2004; Debrah, 2007; Palmer, 2007a; Potts, 2008; Williams, 2006, 2007; Williams & Round, 2009). Previous studies in both developed and developing economies have shown that the informal economy has come to stay and is unlikely to disappear from the economic landscape of nations in the near future (ILO, 2002; Chen, 2002; Chen et al., 2004; Castells & Portes, 1989; Williams & Windebank, 1998). As Chen et al. (2004) acknowledge, informal work is increasing and is not temporary but a permanent economic

characteristic. The ILO (2002b) admitted that the informal economy is not just a residual phenomenon but a feature of modern capitalist development that is connected with both growth and global integration. As a consequence, this report (ILO) argues that it would be fallacious to continue reading informal economy as a marginal or peripheral sector. In Ghana, similar arguments can be made. In this Sub-Saharan African (SSA) country, the informal economy is the mainstream economy in terms of providing employment, employing over 90% of the potential labour force (Debrah, 2007; Palmer, 2007a; UNDP/ISSER, 2007). It is not the informal but rather the formal economy, therefore, which is the peripheral and marginal economy. A number of the reasons for the growth of the informal economy during the past decades have been acknowledged by researchers and commentators (e.g. Becker, 2004; Chen et al., 2004; Debrah, 2007; Potts, 2008).

The dualist theorists also suggest that participants in the informal economy are the marginalised, which presupposes that those working informally do so against their wishes as they find it difficult to secure formal jobs. According to Peattie (1980, p. 4), 'marginality may be presented as a lag in the cultural and social assimilation of the rural peasant into modern urban life, with shanty town neighbourhoods characteristically seen as rural slums within the city' (see also, Bonilla, 1961; Cardona, 1969). One of the main policy directions of the ILO was to ensure that these perceived marginalised populations who conduct informal work could graduate into the formal economy into what the ILO calls 'decent work' (ILO, 2002b). The ILO is thus seen here as a strong advocate of formalisation as the trajectory to growth and development and as regarding the informal economy as backward and regressive (Williams, 2007).

However, the emerging thinking is that people consider job availability and choose the sector and type of employment that will provide them with job satisfaction (Jütting, Parlevliet, & Xenogiani, 2008). Without a doubt in recent years there has been a realisation that some people engage in informal employment on a self-employed basis by choice because of the anticipated benefits and advantages in that sector (Jütting et al., 2008; Maloney, 1999; Perry, 2007). Evidence can also be observed from the work of Gerxhani that contests the marginality view regarding informal workers. In his opinion these workers 'choose to participate in the informal economy because they find more autonomy, flexibility and freedom in this sector than in the formal one' (Gerxhani, 2004, p.

274). There is little evidence from the literature of a universal course of formalisation and also little support for the dualist perspective (Potts, 2008; Williams, 2007).

Currently, in western economies that led the way for formalisation, a large proportion of working time is spent engaged in informal work (Williams, 2007a; Williams & Round, 2008a). According to Williams & Round (2008a, p. 316), 'in Western economies, relatively affluent populations have been found to engage in paid informal work on a self-employed basis which is relatively well-paid and rewarding'. In recent decades, moreover, the evidence across many parts of the globe suggests that the informal economy has grown relative to the formal sector and is not diminishing (ILO, 2002b, 2004; Schneider, 2002; Schneider & Enste, 2003; Williams, 2006, 2007; Williams & Windebank, 1998, 2002). For this reason, the conventional dualism perspective has been transcended and new perspectives have emerged that seek to explain the growth and persistence of informal work and to rethink its relationship with the formal economy.

3.2 The structuralist perspective

If the dualist perspective asserts that the informal and formal economies are separate and discrete, what then is the view of the proponents of the structuralist perspective? Willman-Navarro (2008) sees the structuralist theorist as using structural explanations to reject the dualist perspective, emphasising that the informal economy has a mutually dependent relationship with the capitalist (formal) sector. As Chen et al. (2004, p. 17) inform us, the structuralist school of thought was popularised by Caroline Moser and Alexandro Portes (among others) in the late 1970s and 1980s. They subscribe to the belief that the informal sector should be seen as subordinated economic units (micro firms) and workers that serve to reduce input and labour costs and, thereby, increase the competitiveness of large capitalist firms. In contrast to the dualist view, the structuralists believe that there are diverse ways and forms of production which are known not only to be co-existing with formal market economies but also inextricably related and mutually dependent on them (Castells & Portes, 1989; Moser, 1978; Williams & Round, 2007a). Similarly, this school asserts that the growth of informal production relationships with the formal has been influenced by the nature of capitalist development rather than a lack of growth

(Chen et al., 2004; Willman-Navarro, 2008). The capitalist system functions well in the commercial sector of the economy where retailing is seen to be prominent. The informal economy is used as a conduit to distribute goods and services provided by the capitalist firms. This situation is evident in Ghana's informal economy. As a consequence the informal economy is regarded as having a strong relationship with the formal, irrespective of how the formal economy perceives the informal.

As a means to minimise costs, advantaged entrepreneurs seek to subordinate petty producers and traders (Castells and Portes 1989). Willman-Navarro (2008) also posits that in conceptualising the informal economy as a process with shifting boundaries, structuralists seek to divert the focus from the set of activities towards the processes and dynamics that make them possible (Portes, Castells, & Benton, 1989). According to his position (2008), these analyses locate the informal economy within broader deindustrialization in the post-war era. Others such as (Castells & Portes, 1989; Meagher, 1995) are of the view that the informal sector has the capacity for providing needs on a survival basis (livelihood activity) and probably does not have what it takes to bring about development.

As Debrah (2007) postulates, the main proponents of the structuralist view of the informal economy incorporate the thinking of the ILO, the World Bank and PREALC (in Latin America). The principal argument put forward by the structuralists is that the informal economy becomes most resilient in periods of structural adjustment, recession and excessive interventions (Debrah, 2007). This assertion is based on lived experience in most SSA countries, including Ghana, that implemented the IMF & World Bank led Economic Recovery and Structural Adjustment Programmes (ERP & SAP) in the 1980s and 1990s. During this period there were extensive neo-liberal capitalist reforms, including trade liberalisation, deregulation and privatisation of State Owned Enterprises (SOEs), alongside currency devaluation, reduction in government spending on social programmes and public-sector expenditure (Jütting et al., 2008; Osei, Baah-Nuakoh, Tutu, & Sowah, 1993; Potts, 2008). The outcome was that more people were made redundant and, as a means to mitigate the socio-economic cost, a lot of these retrenched employees ended up in the informal economy, swelling the numbers engaged in such activity. This situation partly explains the marginality view that the structuralists portray of the informal economy. This is

the view Williams (2006, 2007) portrays as a "by product" of the formal economy as a result of the economic reforms, with the attendant new work arrangements. For Williams (2007, p. 111), 'the enlargement of informal employment is consequently perceived to be part of the new work organization under post-Fordist in which formal employers bid to reduce cost, sub-contract stages of production to other employers who employ cash-in-hand workers under degrading, low-paid and exploitative 'sweatshop like' conditions like the garment manufacturing sector' (see also, Bender, 2004; Espenshade, 2004; Hapke, 2004).

The structuralists also believe that the informal economy continues to flourish in developing countries, even when state intervention becomes hostile (Debrah, 2007). Viewing the informal economy in this way has resulted in what is known as the marginality thesis (Williams, 2007), which sees informal work as strong among marginalised populations, who engage in such work as a survival strategy (Button, 1984; Rosanvallon, 1980; Sassen, 1997a). According to Meagher (1995), cited in Debrah (2007), the origin of the marginality depiction is deeply rooted in the ideas of neo-liberal and Marxist schools of thought. Their position was that the informal economy is made up of conventional activities in which people engage to keep their heads above water, existing at the margins of society (Debrah, 2007).

In evaluating this marginality perspective one would admit that, indeed, it has come under growing attack, especially in western economies, in recent decades. The situation is no different in developing countries like Ghana: where the informal economy represents the "mainstream" economy and the formal is merely a "marginal" economy existing in some specific sectors and various marginal places. This is evidenced by the fact that the informal economy employs about 90% of the total labour force in Ghana (ILO, 2002b; Palmer, 2007), with the most recent figure estimated to be 91% (ISSER, 2007), and thereby provides a livelihood for the majority of the people in the country. Notwithstanding the fact that the informal economy is the mainstream economy in Ghana, the question that needs to be answered is whether it is an arena for the destitute or marginalised people in Ghana. Are participants in the mainstream (informal) economy necessity driven due to the absence of an alternative? These issues will be addressed in detail in Chapter Six. According to Debrah (2007: 1067), 'the entrepreneurialism of the informal sector is not so much marginal activity but as a valuable economic endeavour a vibrant source of jobs and

income and a driver of economic growth (ILO, 2002b; Rakowski, 1994; WB, 1989).

There is some evidence from advanced economies, however, that undermines the marginality view. Williams (2006, 2007) disputes the fact that it is marginalised populations which undertake informal work. In the Netherlands, Van Geuns et al. (1987) and Koopmans (1989) find that the unemployed generally do not participate in informal work to the same extent as the employed. Furthermore, countries such as France, (see Barthe, 1988; Cornuel & Duriez, 1985; Foudi, Stankiewicz, & Vanecloo, 1982; Tievant, 1982), Germany (Glatzer & Berger, 1988; Hellberger & Schwarze, 1986) and Britain (Howe, 1990; L. Morris, 1994; Pahl, 1984; Warde, 1990; Williams, 2004a, 2004b-b), to mention but a few, have questioned the validity of the marginality thesis. All these are studies of advanced economies that refute the marginality thesis.

Notwithstanding these studies, this viewpoint may be valid in explaining the participation of the marginalised populations in the informal economy, especially when one talks about the extent of low-paid exploitative informal work in sweatshops such as those of the garment industry (Williams, 2006, 2007). However, it falls short in explaining the involvement of more affluent and employed populations in informal work (Williams, 2006, 2007).

The situation in developing countries, especially SSA, is quite different. Although the majority of the working population are involved in the informal economy, their activities are still marginal, as well as the income that comes as a result. In such cases it may be naïve to suggest that most informal workers in the SSA example of Ghana are not marginalised. Similarly, some scholars are of the view that the structuralist view mimics that of the dualists. However, both provide different interpretations of "marginality". To the followers of the structuralist doctrine, the informal economy grows whenever there are structural changes in an economy, as already highlighted. During the Asian financial crisis in the 1990s, millions of formal sector workers who lost their jobs as a result of the economic crisis saw the informal economy as their only option (Lee, 1998; Tokman, 1992; Young, 2002). In a similar vein, the implementation of the Structural Adjustment and Economic Recovery Programmes in Ghana in the 1980s and 1990s failed to achieve the intended benefits but created an army of unemployed and underemployed, who eventually became participants in the informal economy (Chen et al., 2004; Beck, 2004).

The reasons, as given by Chen et al. (2004, p.18), are very apparent,

> 'when private firms or public enterprises are downsized or closed, retrenched workers who do not find alternative formal jobs have to turn to the informal economy for work because they cannot afford to be unemployed; and in response to inflation or cutbacks in public services households often need to supplement formal sector incomes with informal earnings. For this reason, the informal economy needs to be seen not as marginal or peripheral but a basic component - the base, if you will, of the total economy'.

Neo-liberal economic reforms and globalisation have brought about an increase in informal employment across the globe, especially in developing countries. As Willman-Navarro (2008) puts it, this reinforces the claim that informality is a permanent feature of capitalist economies. The ILO study in 2002 revealed that about half or more of non-agricultural employment in developing countries is in the informal economy. For example, in Sub-Saharan Africa, it is estimated that an average of 70% of the total workforce is in informal employment (including employment in agriculture), 65% in Asia, Latin America 51% and North Africa 48% (ILO, 2002b). These statistics offer compelling evidence that the size of the informal economy has increased worldwide over the years. However, developing countries, such as those in the SSA example of Ghana, are the key beneficiaries of this growth. A new view emerged alongside structuralism that questioned the role of the state in enterprise and entrepreneurship development and on which the next section throws more light.

3.3 The legalist perspective

Both the dualist and the structuralist perspectives view the informal economy as rather unproductive, not because the benefits of formalisation are not enjoyed by informal workers but for the reason that they have low human capital (Porta & Shleifer, 2008). For the legalist, informal work arrangements are a rational response by micro-entrepreneurs to over-regulation by administrative bureaucracies (de Soto, 1989). As Willman-Navarro (2008) asserts, the existence of a formal regulatory system defines the

boundaries of the informal economy; activity that is not covered by the regulatory system may be regarded as informal. The legalist idea, according to Chen et al. (2004), was popularised by Hernando de Soto in the 1980s and 1990s. He subscribes to the notion that the informal sector is comprised of "plucky" micro-entrepreneurs who choose to operate informally in order to avoid the costs, time and effort of formal registration (de Soto, 1989). For de Soto et al., so long as government procedures are cumbersome and costly, micro-entrepreneurs will continue to produce informally. In this neo-liberal view, excessive government rules and regulations suppress private enterprise growth. According to de Soto, the informal economy is seen as a safe haven for the informal worker confronted with excessive state regulation or involvement. In this legalist environment, entrepreneurs enjoy working informally as they avoid the cost of formalisation. As De Soto (1989, p. 255) informs us 'the real problem is not so much informality as formality'.

Williams (2006, 2007b) asserts that in recognition of the persistence and growth of informal work, a new and somewhat different perception of the relationship between formal and informal work has emerged. He argues that instead of regarding informal work as left behind from a pre-capitalist era, informal work is seen as an emerging form of work in the later stages of capitalism as a direct result of the arrival of a deregulated world economy which is encouraging a race-to-the-bottom in terms of labour standards (see also, Amin, Cameron, & Hudson, 2002, 2002b; Castells & Portes, 1989; Davis, 2006; Hudson, 2005; Portes, 1994; Sassen, 1997b). Again, Willman-Navarro (2008) explains, de Soto reacted to the negative portrayal of the informal workers in the development policy sphere. He perceived informal workers as sensible decision makers who evaluate the cost of conforming to excessive regulations against the benefit of remaining outside the regulatory circles (de Soto, 1989). According to Williams & Round (2006), there are two main views about the informal economy: alternative or legalist. These are the neo-liberal perspectives that are seen as providing the dominant views by a small emergent post-colonial, post-capitalist group of scholars that have so far only focused on developed nations. Few have adopted the latter perspectives towards the informal economy in relation to the majority (third) world (Williams 7 Round, 2006).

For neo-liberals such as de Soto, the informal economy has come about as a result of a "spontaneous" and creative response to the state's incapacity to satisfy the

basic needs of the "impoverished masses" (de Soto, 1989, pp. xiv-xv). In the view of de Soto (1989), as a result of the state's inefficiencies regarding registration of enterprises and other bureaucratic tendencies, people choose to work informally so as to circumvent all these hurdles. As cited in Williams and Round (2006), Sauvy (1984, p. 274) explains that such work represents the 'oil in the wheels, the infinite adjustment mechanism' in the economy; the elasticity that facilitates a snug fit of supply to demand that is the aim of every economy. When people act in this way, they help to bring the invisible and imperfect hand of the market towards equilibrium. What is important in de Soto's claim is that meeting the basic need of the impoverished masses should be the central focus of every economy (both formal and informal). It has been argued that the market is not an efficient means to allocate and distribute societal resources, especially among the poor and excluded. If the market is allowed to continue dominating allocation and distribution of resources, then the rich will become richer, whilst the poor will continue to wallow in poverty, and inequality in societies will grow deeper and social injustice more entrenched. The only way to arrest this situation is by seeing informal work as 'representing a site of popular resistance to over regulation and informal workers a political force that can generate both true democracy and a rational competitive market economy' (Williams and Round, 2006, p.4).

These neo-liberals, therefore, do not view the informal economy as a remnant from some pre-capitalist era or as a by-product of the present capitalist system or a marginal activity. Instead, they argue that people engage in informal activity as an alternative to the formal economy, with the informal economy signifying a sphere of hope not despondency (Chen, 2005; Chen et al., 2004; de Soto, 1989; Williams & Round, 2006; Williams, 2006, 2007). From this perspective, the informal economy is seen as a surrogate to the formal economy, which people normally choose deliberately (Gerxhani, 2004; de Soto, 1989; Williams & Round, 2006; Williams, 2006, 2007). For Contini (1982), the expansion of the informal economy is straight revenge on the part of the market for over-regulation by the state. Here, the informal economy represents a response to the "needs expressed" by the people (Sauvy, 1984, p. 274), as cited in Williams & Round (2006). Thus the informal economy serves the neglected needs of the people that arise due to state intervention in the formal market and to which the formal economy is unable to respond.

Besides the neo-liberals, there are others who hold a divergent view but again picture the informal economy as a chosen alternative to the formal economy. As Williams and Round (2006) explain, there has been an emergence of different groups of post-colonial, post-development, post-structuralist and/or post-capitalist scholars (e.g. Chakrabarty, 2000; Escobar, 1995; Gibson-Graham, 1996; Leyshon & Lee, 2003; Williams, 2005). For these analysts and researchers, the issue is not over-regulation as argued by the neo-liberals. Instead, it is the complexity of formalisation and commodification of working life (Williams, 2005). They also believe that the task of all concerned is to accept that the informal economy has come to stay (Chen et al., 2004; ILO, 2002b) and thus, as Williams and Round (2006) assert, 'we need to recognise, value and create informal practices that are already here and emerging so as to shine a light on the demonstrable construction of alternative possibilities' (see Escobar, 1995; Williams, 2005).

In terms of evaluating this theoretical perspective, the argument is that the growth of informal work results in a corresponding decline in formal work (Williams, 2006). Tokman (1992) argues that whenever there is an economic crisis in the formal economy, the informal economy tends to grow (Lee, 1998), as people perceive it as the way to a better life. In developing countries like those in Sub Saharan Africa the legalist perspective is not very apparent because most of the informal economy enterprises are micro-scale and operators do not see the need to regularise their activities. Therefore, there is little or no concern about state involvement through regulation and/or excessive use of it. However, the few small-to-medium enterprises that are willing to conform to the rules face a cumbersome process in terms of registration and may therefore circumvent this registration process. The system is alleged to be infested with bribery and corruption and as a result operators in the informal economy prefer to avoid being exploited in this way. Until such a time when entrepreneurs begin to have some confidence in state bureaucracies, informal workers will continue to operate informally. The discussion will now focus on a new perspective that views informal and formal work as mutually dependent.

3.4 The complementary perspective

This is the fourth and final theorisation of the relationship between formal and informal work, which was proposed by Williams (2007) but not discussed by Chen et al. (2004) or others. Through empirical studies of the marginalisation thesis in developed nations, a new theorisation of the relationship between formal and informal work has emerged which views the informal and formal economies as complementary (Williams, 2006, 2007; Williams and Round, 2006). That is, both forms of work grow and decline concurrently and are inter-dependent.

Williams (2006, 2007) also refers to this as the "reinforcement thesis", which simply means that informal work fortifies, rather than reduces, the social and spatial disparities produced by formal employment (Pahl, 1984; Williams & Windebank, 2003a). According to the ILO (2002b, p.4), 'there is no defined dichotomy or split between the informal economy and the formal economy. That is, what happens in the informal economy will have impact on workers and employers in the formal economy and vice versa'. Potts (2008) also points out that the fact that informal and formal economies exhibit different features does not necessarily imply that there is not underlying similarity between them. The starting point is the recognition of how to harmonise the informal and formal economy so as to achieve a high level of economic growth and development. What the ILO (2002b) suggests is to view formal and informal enterprises and workers as coexisting along a continuum. The intimation is to look for ways in which the marginalised populations can be absorbed in both formal and informal work in order to bridge the current inequality gap. During the past two decades or so, studies have shown that the informal economy is a connected constituent of the overall national economy rather than a marginal appendage to it (see, Beneria, 1989; Castells & Portes, 1989; Peattie, 1981). Williams and Round (2006) further state that economic development is not observed as being the result of a rift between formalised and informalised populations, as is the view from the leftover and by-product (marginality) perspectives.

In this complementary perspective, according to Williams (2006, 2007), two policy stances can be discerned. Firstly, there are those commentators who focus on welfare provision by discussing "mixed economies of welfare" when they discuss the informal

economy. Here, the focus is taken beyond the conventional public-private debates about welfare provision by adding in a third mode of provision, i.e. "civil society" or informal provision (Blair, 1998; Giddens, 1998, 2000; Williams & Windebank, 2003a). Secondly, there are those who seek a role for informal work in the "economic" sphere rather than solely with regard to welfare provision.

Indeed, in the context of mainstream European social democratic thought, there is a rather distinct and strong current of thought that views the informal economy as a complement to formal work, not only in the welfare but also in the economic sphere (Williams, 2006, 2007) (see also, Beck, 2000; Delors, 1979; Gorz, 1999; Greffe, 1981; Lalonde & Simmonet, 1978; Laville, 1996; Mayo, 1996; Rifkin, 1996) as cited in Williams, 2006, 2007. As Williams (2006) informs us, according to these commentators, putting people into employment is not the only (or the most effective) way of ensuring that people's needs and creative desires are met; placing people into formal employment for them to earn income, which will enable them to buy goods and services to satisfy their needs and creative desires, is just one way of securing a livelihood. The other alternative approach is to enable people to produce and receive goods and services through the informal mode of production (Williams, 2006, 2007).

Researchers and analysts in this area echo the old adage that "putting all your eggs in one basket" is dangerous. That is to say, placing your entire workforce into one form of employment is dangerous and unacceptable (Williams, 2006, 2007). There is the need to develop the informal economy in that the formal economy is associated with a lot of uncertainties, especially in the currently unstable globalised market. What this approach seeks to promote is a mix of formal and informal work to meet the needs and desires of communities and the people within them. Furthermore, instead of just looking at the formal employment side of the equation, care should be taken to develop people's ability to be successful in meeting their needs through the informal modes of production (Williams, 2006, 2007).

On evaluation, this final competing theory on the informal economy, the complementary relationship view of formal and informal work, is found to cohere with contemporary findings in the Western context (Williams, 2006, 2007). For Becker (2004), it has become clear that there are a lot of interdependencies connecting the

informal and the formal economies. In developing countries, studies have shown that the informal economy and the formal go hand in hand, even though the growth of the informal is more pronounced than that of the formal economy (Blunch, Canagarajah, & Raju, 2001; Chen et al., 2004).

3.5 What is currently known about the informal economy in Ghana?

The previous sections have explained and evaluated how the relationship between formal and informal is theorised. The main theoretical perspectives of the relationship between formal and informal work have also been reviewed. This section now examines what is currently known about Ghana's informal economy.

3.5.1 Public policy and the informal economy in Ghana

The starting premise is that until now the informal economy has been given very little attention in the discourse on public policy in Ghana. Since the discovery of the informal economy as a concept over three decades ago (Hart, 1973), there have not been any effective public policies on the informal economy. It may be argued that the absence of a clear-cut definition of what is an informal activity has hindered policy makers from assessing the significance of the sector vis-à-vis its contribution to the national economy. Successive governments' policy concerning the informal economy in the past has been at best as informal as the informal economy concept itself. Mapping out the direction of development since independence in 1957 will paint the actual picture of the changing approaches towards the informal economy. Until now the widespread perception about the informal economy has been that it does not promote socio-economic development on a significant scale. As a consequence, very little attention has been given to addressing the inherent problems of the informal economy and thereby ensuring that the informal economy can contribute meaningfully to the socio-economic development of the nation. As Adedeji (1990, p. 168) puts it, 'the attitude of most African governments to the informal sector can best be described as ambivalent. Development plans put strong emphasis on

employment creation and basic needs satisfaction; however, the day-to-day reality is the harassment of the informal sector'. Throughout the days of the Structural Adjustments and Economic Recovery Programmes in the 1980s and the 1990s little was done to mitigate the socio-economic cost of retrenched public sector employees, most of whom ended up in the informal economy as self-employed or employees (Osei et al., 1993; Sowa, Baah-Nuakoh, Tutu, & Osei, 1992). The absence of dependable statistical data led to economic planners paying little or no attention to the informal economy (Peattie, 1987). Some commentators have noted the lack of a consistent informal employment policy (Debrah, 2007; ISSER, 2004). There is no special ministry in charge of the informal economy (Debrah, 2007). As a result, policies on the informal economy have been formulated on an ad-hoc basis. Palmer (2007b) also argues that, in spite of what the GPRS I and II look forward to achieving, skills training by and large have enjoyed only an insignificant amount of realistic government attention.

In recent years there has been a sea change in the government's attitude towards the informal economy, which has resulted in a paradigm shift in the perception of the informal economy. Currently, the Growth and Poverty Reduction Strategy (GPRS II), which constitutes Ghana's socio-economic agenda for attaining middle-income status by 2015, stresses the importance of creating employment for poverty reduction and specifically addresses the informal economy (ILO, 2007). This echoes the growing recognition that private sector development needs to encompass micro and small enterprises from an informal economy that represents some 95% of private enterprises in Ghana (ILO, 2007). The private sector is now seen as the "engine of growth". In 2005, former President Kuffour's first sessional address during his second term highlighted the need to 'turn around the informal sector in order to turn around the economy' (ILO, 2007). Notwithstanding this, the government still believes that the key to success of every economy is embedded in a strong formal sector. The crux of the matter is that the private sector is dominated by informal work that has been regarded as a low growth sector in terms of its contribution to the national output.

3.5.2 Some of the areas of previous research on Ghana's informal economy

As has already been highlighted, Ghana is the birthplace of the informal economy as a concept. It was here that Hart's (1973) seminal fieldwork took place that led to the emergence of the concept. Indeed, since then, a relatively large body of literature has emerged on Ghana's informal economy. This has either explored how to organise informal workers (e.g. Adu-Amankwah, 1999; Adu-Amankwah, 2000; Baah, 2007; Baah & Achakoma, 2007; Croucher, 2007), sought to understand informal entrepreneurship, especially women's entrepreneurship (see, Boachie-Mensah & Marfo-Yiadom, 2005; Chu, Cynthia, & Charles, 2007; Dovi, 2006; Dzisi, 2008; Korantemaa, 2006), analysed the problems of financing informal enterprises (Anuwa-Armah, 2005; Aryeetey, 1996; Aryeetey, Baah-Nuakoh, Duggleby, Hettige, & Steel, 1994; Bamfo & Boateng, 2009; e.g. Mensah, 2004a; Mensah, 2004b; Tagoe, Nyarko, & Anuwa-Armah, 2005) or evaluated the feasibility of up-skilling informal workers (Debrah, 2007; Haan, 2006; Haan & Serriere, 2002; Palmer, 2007a, 2007b, 2009). Until now, however, the relationship between the formal and informal economies has not been evaluated. This being the case, and in particular, given the fact that there has been no critical evaluation of the competing theoretical perspectives, in 2006 the decision was taken to conduct some empirical research to bridge this gap in our knowledge.

3.5.3 Organising the informal economy in Ghana

The GTUC has realised that the future of workers' organisation lies in the informal economy. This is due to the decline in formal jobs and the attendant reduction in employees. Traditionally, the GTUC has tended to engage with formal sector workers, as it is believed that finding and accessing these workers is much easier. In recent years, as witnessed during this study, the GTUC has been in the business of reaching out to the informal workers as a consequence of the reduction in formal jobs in real terms. The thinking is that is the ordinary informal worker has no social protection, aside from the fact that he earns very little income and faces more job insecurity. All the benefits enjoyed by the formal workers elude the informal workers (GTUC, 2008). For Adu-Amankwah (1999),

unionisation in the informal economy had its roots in the Gold Coast era and became more prominent after the First World War. The idea of revisiting the organisation of informal workers became evident to some national unions in the 1960s and '70s but actual organisation was initiated in the late 1970s (GTUC, 2008). The SAP/ERP also played a major role in the intensification of this organisation process. Many formal workers, who form the bulk of union membership, lost their jobs as a result of privatisation and modernisation associated with the SAP/ERP measures (Osei et al., 1993). Today the GTUC draws a very large proportion of its membership from the informal economy in the form of the GPRTU (the fifth largest union), according to (Croucher, 2007).

3.5.4 The Nature of Enterprise and Entrepreneurship in Ghana's Informal Economy

Throughout the entrepreneurship literature the entrepreneur has been regarded as having positive attributes which lesser mortals lack (Jones & Spicer, 2005; Burns, 2001; Williams, 2006). As Fredua-Kwarteng (2007) explains, entrepreneurship consists of the requisite skills, knowledge and ability to start and manage a business and to use creativity and innovation to create new economic success or value (new markets, new products, improving existing products, etc) for existing government or private businesses. Women dominate entrepreneurship in Ghana's informal economy. The ILO (2007) argues that entrepreneurship is an entry point for women to achieve decent work and Millennium Development Goals, as echoed by Ms Gertrude Mongella, Chairperson of the Pan-African Parliament. It may be interesting to ascertain whether entrepreneurs in the informal economy in Ghana possess the same positive virtues as those extolled in the literature. It is also important to establish whether informal entrepreneurship in Ghana is necessity or opportunity driven. The rationale for this is that a large number of new enterprises in Ghana are being formed in the informal economy and that the informal economy is therefore a seedbed for enterprise and entrepreneurship development. In Ghana, women entrepreneurs dominate the micro enterprises, which are mostly for survival, but there are few small to medium enterprises owned by women entrepreneurs. The Ghanaian entrepreneur in general invests in a business simply because there are limited opportunities available (Chamlee-

Wright, 1997). Entrepreneurs in Ghana may well be understood and be motivated by the intrinsic rewards and satisfaction which comes from business ownership (Chu et al., 2007).

Entrepreneurial development in Ghana generally has remained at the basic level as evidenced by Ghana's political history. Years of military dictatorship in the 1970s and 1980s drove away many local and foreign entrepreneurs (Dovi, 2006). However, from 1981 to date Ghana as a country has enjoyed a stable political environment, which is a key prerequisite for undertaking any business venture. According to Dovi (2006, p. 14),

> 'with a stable political atmosphere and the goodwill that the country enjoys with the international community, industry activists are hoping the government will implement policies to encourage business growth. Such an approach could help create a shift from subsistence to micro businesses, from small to medium and from medium to large. This would in turn provide many opportunities for women-owned businesses to grow and flourish.' As a consequence most informal entrepreneurs could graduate to the formal economy, fulfilling decent work dreams.

One major move to develop informal entrepreneurship was the establishment of the National Board for Small Scale Industries (NBSSI) in 1985 as a lead organisation for the promotion and development of micro and small-scale enterprises in Ghana. This was to guarantee efficiency and competitiveness in the production and distribution of goods and services and thus contribute significantly to the development of the national economy. The National Board for Small Scale Industries has been trying to mobilise the informal economy entrepreneurs to make them more organised and reliable in providing livelihoods and economic development. According to World Bank estimates, most enterprises are "micro," "small" and "medium", accounting for about 70% of employment in the country (Dovi, 2006). They include farming activities, agribusiness, light manufacturing such as textiles and garments, and arts and crafts. However, due to neglect, this sector has suffered greatly over several decades, contributing to a nationwide shift from productive entrepreneurship to petty trading". Most businesswomen in Ghana are stuck at the 'micro' level, unable to expand because they lack credit and new technologies (Dovi, 2006). Within the informal economy in Ghana women entrepreneurs are largely marginalised as compared with their male counterparts. However, this perception is gradually changing. The Ministry of Women and Children's Affairs has a new scheme, the Women Business

Support Programme, 2005-2010, which is aimed at selecting women-owned manufacturing businesses for receipt of long-term support (Dovi, 2006).

The debate on whether entrepreneurs are born or made is ongoing. Even within academic circles, the business environment, among politicians, investors and entrepreneurs themselves there has not been any consensus. In Ghana some communities, for example, the Kwahus from the Eastern Region, believe that entrepreneurs are born and not made. Their claim is rooted in the belief that the most successful entrepreneurs from this part of Ghana are generally not formally educated in entrepreneurship studies and yet they are regarded as the most successful entrepreneurs in Ghana (Fredua-Kwarteng, 2007). Even though they claim not to have had any formal entrepreneurship training, there is no doubt about the fact that they receive informal entrepreneurship training on the job. As Echtner (1995) informs us,

> "Certainly, it is difficult to deny that some individuals seem to have innate entrepreneurial flair, just as others have natural talents for mathematics and music. Nevertheless, success in any endeavour requires appropriate mix of ingrained characteristics and learned skills. Aspiring entrepreneurs not only need behavioural traits but also need to acquire knowledge of the venture creation process, including an understanding of specific management tools, while many innovative individuals would like to become entrepreneurs, they often lack the techniques and skills to succeed" (p. 122).

Relating the above to entrepreneurship in the informal economy in Ghana, it becomes obvious that the government as well as other stakeholders have a major role to play in terms of entrepreneurial training. Entrepreneurship development in the informal economy is a direct result of some of the problems entrepreneurs face in developing countries. Among these problems is the unstable and highly bureaucratic business environment (Chu et al., 2007). Once more, the legal environment within which private enterprises operate in terms of registration and taxation system is excessively complicated to comprehend (Chu et al., 2007; de Soto, 1989). In the view of the World Bank and the IMF, the main problem facing entrepreneurs in Ghana is inadequate access to credit (Chamlee-Wright, 1997; Steel & Webster, 1991). In spite of this, according to a government survey in 2002, the main problems faced by the Ghanaian entrepreneur are: poor utility connections, high taxes; burdensome administration; corruption and the unpredictability of laws and regulations (Chu et al., 2007). These findings are significant and go to support some of the arguments

for informal entrepreneurship. The main motivating factors for the Ghanaian entrepreneur, as uncovered by Chu et al., (2007), are: proving that they could do it, public recognition, providing secure jobs for family members and building a business which they can pass on to posterity. One of the key factors responsible for the growth of entrepreneurship in the informal economy in Ghana has been the IMF led structural adjustment programmes (SAPs) of the 1980s. Even though they led to massive privatisation of state owned enterprises (SOEs) with the attendant socio-economic problems, they have helped many who would otherwise have been unemployed to become entrepreneurs and start up and manage their own businesses, mostly in the informal economy ((Elkan, 1988).

On the other hand, Bewayo (1999) recognises that one of the factors responsible for the slow growth of entrepreneurship in Africa, including Ghana, may have been the establishment of SOEs before and after independence. Whatever the motivation was for setting up the SOEs, the fact still remains that the entrepreneurship drive was lacklustre before the advent of the SAPs. In my view the SAPs were "necessary evils", but the privatisation, which was one of the major strings attached to the IMF led SAPs, killed the spirit of communalistic culture (Bewayo, 1999) and gave birth to private/individual entrepreneurial drive. To commentators such as (Bewayo, 1999) the main motivational factor is the basic motivational need (Maslow's hierarchy of needs); that is, the African entrepreneurs have a tendency to be driven by survival strategy (Bewayo, 1999) – making a living and providing for the family remain the main reasons for entering into a business. Thus to the African entrepreneur the driving motive is 'living maximisation' and not 'profit maximisation' (Bewayo, 1999). This attitude of making a living or just providing for the family by and large has contributed to the failure of small businesses in Africa – Ghana to grow into big business or move from the informal to the formal economy.

3.5.5 Financing problems facing small and medium size enterprises in Ghana

The informal economy in Ghana is known to be dominated by micro, small and medium size enterprises. Few would question the significant role played by these informal enterprises in the growth and development of the Ghanaian economy. However, the growth of these enterprises has been hampered by a multitude of problems. Chief

among them has been limited access to finance among informal entrepreneurs. The role of finance is seen as crucial for these enterprises.

In spite of the financial sector reforms, the dominance of the banking capabilities and the introduction of various financial instruments, financing of small businesses still remains a major hurdle to the development of such enterprises (Cook & Nixson, 2002). In situations where there is an urgent demand for a small enterprise's product or service, it is extremely difficult for them to respond due to credit restrictions. As noted by Cook & Nixson (2002), high interest rates and high transaction costs coupled with administrative bureaucracy have exacerbated the problem. A study conducted by Osei et al. (1993) found that about 95% of the respondents relied solely on personal resources and loans from friends and relatives to fund their businesses. Again, the work of Dawson (1993) in Ghana and Tanzania confirms the findings of Osei et al. (1993). According to the world bank, about 90% of small enterprises surveyed revealed that the most important limitation to new investment was access to credit (World Bank, 1994). Last but not least, the main finding of a study conducted by Abor & Biekpe (2006) was that most of the financial schemes are perceived as difficult to access. The outcome is that informal entrepreneurs find it hard to finance their activities. However, the government's efforts to address this financing gap have often proved futile. As part of measures to remedy this situation, the government has embarked on providing finance to the informal workers in the form of a poverty reduction fund. In fact, this has done very little to improve access to finance for the small business owners: a view shared by many respondents in this study. The underlying problem may well be that this fund is managed by people from the district assemblies who are perceived to possess little or no knowledge in financial management. There is the need for the government to ensure that this fund is managed in the most efficient manner to bring about the desired result by increasing access to finance among informal operators.

3.5.6 Skills training for work

Finally, there is an extensive body of literature that believes that the antidote to the problems of the informal economy is skills training for work (Debrah, 2007; Haan, 2006; Haan & Serriere, 2002; Palmer, 2007a, 2007b, 2009). What these people are advocating is that the large number of people involved in the informal economy is partly due

to the low level of formal education. What needs to be done is to give them the necessary basic skills to enable them to be more efficient in whatever they are doing. In 2007 Palmer conducted a study in Ghana in which he examined three types of skills training provision: on-the job apprenticeship training, short-term modular training and long-term modular training. The main finding was that the school-skill-enterprise relationship is highly dependent on the delivery context of training as well as the type of enabling or disabling environment within which the training is translated into employment outcomes (Palmer, 2007b). Without a doubt, the informal economy symbolizes the primary destination for both out-of-school and school graduates in most developing countries (Palmer, 2008, 2009) and therefore further skills training is integral to their future success. According to Palmer (2008, p. v), 'Skills development is one of the key determinants of how, and for whom, productivity growth translates into employment growth, into better work in the informal economy and to movement from the informal to formal economies'. Evidence from Debrah (2007) also highlighted that about 80% of the registered unemployed had no employable skills (i.e. clerical, technical or artisanal). The outcome of these studies is a call for more skills training for the informal workers and those who will join this workforce in the near future.

However, when one structures the previous research on Ghana's informal economy, the important point is that until now, there has been little or no discussion of the relationship between the formal and informal economy and critical evaluation of the competing theoretical perspectives in Ghana, especially in this study area. This study has brought to the fore a discussion on the best way(s) to address the needs of the informal economy.

3.6 Chapter Summary

This chapter started by reviewing the competing representations of the relationship between the formal and informal economy. The four theoretical representations present a useful framework for conceptualising the relationship between formal and informal economies. Researchers and analysts in this area are of a common view that there is a lack of adequate voice representation and restricted involvement of the informal worker in public

policy discourse. Those who adhere to dualist and structuralist views believe that these perspectives have contributed greatly in terms of providing acknowledgment of the informal economy concept in the economic development literature. There is compelling evidence that the informal economy is proliferating throughout the global economy. The dualist mainly concentrates on the unpaid or non-waged informal work and the lack of relationship between the formal and informal economy under the formal regulatory system. However, the third (majority) world, especially Ghana, has seen more growth in this area. The structuralist idea is rooted in what Chen et al. (2001) view as the tendency to merge non-wage or unpaid informal work and paid informal work. In this direction, the structuralist believes that there is a relationship between paid informal work and the formal economy and also acknowledges the role of the state in regulating such a relationship.

The legalists believe that informal workers will continue to circumvent the regulatory system as long as it remains inefficient. The current system renders the cost of formalisation high and unattractive to entrepreneurs. There is a need for the government to streamline the bureaucracies to eliminate all the possible bottlenecks and thereby encourage formalisation. De Soto, one of the eminent champions in this area, calls on state authorities to adopt a laissez-faire attitude towards the informal workers and informal economy in general. He believes that regulation increases the entry cost of formalisation (de Soto, 1989; Chen, 2005). The complementary view calls for harmonisation between the perceived dualistic economies for the benefit of the people.

Until now, many have only considered the validity of these competing perspectives in the context of advanced economies and some transition economies (Williams, 2008; Williams & Round, 2006, 2007a, 2008a). Few (e.g. Chen, 2005) have sought to evaluate which, if any, of these perspectives apply in third (majority) world contexts. No one has evaluated which, if any, of the theories is valid in the context of Ghana. Most research has been done on non-SSA countries. Whichever way one looks at this, it may be argued that there is a relationship between the formal and informal economy though there may be different levels of association. For example, in Ghana within the mobile phone sector formal firms may employ street vendors/hawkers to sell the talk time vouchers on commission basis. There are also subcontracting activities that take place between formal enterprises and the informal workers. Finally, this chapter has reviewed what is

so far known about the informal economy in Ghana and its relationship with the formal economy. Having evaluated the theoretical perspectives, the next step is to select the best method(s) for conducting this study in order to achieve the intended purpose. The chapter that follows outlines the methodology and data collection method(s) for this study.

CHAPTER FOUR

RESEARCH METHODOLOGY AND METHODS FOR COLLECTING DATA

4.0 Introduction

In the earlier section consideration was given to the discussion of the theoretical framework within which this research is located. In this section the methodology used to achieve the aims and objectives of this thesis is outlined. The chapter is divided into two major sections. The first section explores the philosophical assumptions underpinning this research including a discussion of epistemological and ontological considerations in the context of management research and research methods. The second section then outlines the research design and strategy for data collection and analysis.

Section one

4.1 Philosophies of research

4.1.0 Introduction

The two main methodologies to uncover social knowledge are quantitative and qualitative and each has its own merits and demerits. In this thesis, a mixed method approach is adopted. However, the study is skewed towards qualitative methods. This is done to draw in wider research data to give context and illumination.

4.1.1 Philosophical assumptions, epistemological and ontological considerations of the study

According to Bryman and Bell (2007, p. 17), 'epistemological issues concern the question of what is (or should be) regarded as acceptable knowledge in a discipline'. With regard to the epistemology underpinning this research, the main aim is to understand the

state of affairs from the point of view of the respondents rather than attempting to unearth some supposed concrete knowledge or reality that is assumed to exist "out there". In other words, there is an acceptance that individual respondents, based on their own experiences, interests, values, and so on construct a sense of their social reality. Both positivist and qualitative approaches depend, to a certain extent, on different philosophical assumptions about the nature of knowledge and the process of capturing that knowledge. This, in turn, demands distinct ways of conducting research. As Dobson and Love (2004) explain, epistemology talks about the nature of human knowledge and understanding that can be acquired through different types of research and the appropriateness of the method of investigation. How s/he undertakes research is a direct response to his/her views about the nature of knowledge and it is only if we understand the epistemological (and ontological) assumptions made about how the world is viewed that we can challenge such assumptions (Saunders, Lewis, & Thornhill, 2000). Similarly, epistemology concerns how the world is perceived and the relationship between the researcher and the known or researched. What is important, referring to Johnson and Duberley (2000, p. 1), is 'how we come to ask particular questions, how we assess the relevance and value of different research methodologies so that we can investigate those questions, how we evaluate the outputs of research, all express and vary according to our underlying epistemological commitments'.

Positivist epistemology, which usually makes use of quantitative methods, tries to assess the social situation by categorising individual components of a phenomenon and elucidating this phenomenon in terms of constructs and relationship between constructs (Cavaye, 1996). This is an epistemological position that advocates that reality can be captured using methods that are more akin to the natural sciences (Bryman & Bell, 2007). In contrast, in a qualitative approach, the researcher tries to become acquainted with a phenomenon from the perspective of the actors directly involved with the phenomenon under consideration (Cavaye, 1996). Generally, the relationship between the formal and informal economy cannot be accurately defined or statistically measured because informal means of working are closely associated with people's or society's opinions about what constitutes the informal economy in various settings.

Turning to ontology, Dobson and Love (2004) further describe that ontology may be explained as the view of the nature of reality of the phenomenon or whatever

is being investigated. Similarly, it deals with fundamental questions about the nature of reality and the way(s) in which this reality is captured. Critically reviewing the competing theories of the informal economy and evaluating them in Ghana's context would enable the examination of the relevance of the competing theories for explaining or understanding the phenomena of the informal economy in Ghana and its association with the formal. It therefore stands to reason that epistemological commitments and ontological assumptions are key philosophical issues underlying this research.

As explained in previous chapters, there are various theorisations that seek to explain the relationship between the formal and informal economy. For this thesis, four key representations of the relationship between the informal and formal economy (Chen et al., 2004; Williams, 2006, 2007) have been utilised. For a social scientist the choice of method of investigation is hugely influenced by the way social reality or "warranted knowledge" is obtained. This means that the respondents are not treated as inanimate objects but, instead, there is a mutual relationship between the researcher and the researched. Following on from this, Hammersley & Atkinson (1983) state that:

> 'We are part of the social world we study, this is not a matter of methodological commitment, it is an essential fact, there is no way in which we can escape the social world in order to study it; nor fortunately, is that necessary, we cannot avoid relying on 'common sense' knowledge nor, often can we avoid having an effect on the social phenomena we study' (pp. 14-15).

In this thesis, therefore, the approach used to examine this social reality is to understand issues from the subjective viewpoints of the social actors (or respondents) and to make judgements based on empirical evidence through interview and observation. Throughout the study in Ghana I became part of the community as a participant-observer interested in what was going on in the informal economy of Koforidua. Being physically present in this context, asking questions and interviewing respondents, enabled me, as positivist researchers would recommend, to be more active rather than a passive or disinterested researcher. As Johnson and Duberley (2000, p. 62) suggest, as a participant researcher one becomes 'an active social agent conducting a value-laden enterprise in a particular historical context'. They acknowledge that in terms of knowledge development in

management, 'rational consensus occurs which derives from arguments and analysis without resort to force, coercion, distortion or duplicity' (p. 121). We should not take established social reality as already "given" or "out there". Rather, we need to explore and explain these taken-for-granted realities (Chia, 2002); this is what the qualitative approach seeks to offer and it is thus heavily used in this study.

4.1.2 Management research

In the field of management as part of wider social science research, there is no single research trajectory that can be used to explain the diverse management practices. This is because the field of management research is not a unified field (Johnson & Duberley, 2000; Pettigrew, 2001). Indeed, one can approach management research in different ways, each of which has its own traditions and approaches (Johnson and Duberley, 2000). It is a diverse field of study with different people having different views about what is meant by management. In view of this diversity, Pettigrew (2001) posits that management 'is not a discipline, but represents a confluence of different fields of enquiry. The field is certainly multidisciplinary, with many of its early practitioners receiving their training in social anthropology, sociology, psychology, economics, mathematics and engineering' (p. 63). For this reason, management research requires different research paradigms to acquire knowledge and understanding.

4.2 Research methods in management

Within the social sciences (management), qualitative/quantitative dichotomy has a long history (Bryman, 1988; Cassell & Symon, 1994; Lincoln & Guba, 1985). For many years quantitative methodologies had wider currency than qualitative approaches but this is beginning to change now. In what is to follow, attention turns to a discussion of both methods to outline why they are relevant to this study.

4.2.1 Quantitative research methods (Positivist)

The key assumption behind the positivist paradigm is that there is an objective truth existing in the world out there which can be revealed through scientific methods where the focus is on measuring relationships between variables systematically and statistically (Cassell & Symon, 1994). Likewise, Kauber (1986) puts forward the argument that in quantitative approaches, the research design is based on controlling or measuring variables and the testing of pre-determined hypotheses. Quantitative studies deal with formulating and testing of hypotheses through controlled experiment or statistical analysis (Kaplan & Duchon, 1988a).

4.2.2 Critique of quantitative method

Some of the criticisms levelled against the quantitative method are highlighted. For Waitzkin (1990), quantitative research methods deal with quantification and not the complexities of discourse. He asserts that 'to understand such complexities adequately requires an in-depth interpretive analysis' (p. 474) and this can be achieved through qualitative approaches. Furthermore, Gable (1994) informs us that for a (quantitative) survey to succeed in illuminating causal associations or providing descriptive statistics, it must contain the exact questions, always asked in the same manner. According to Gable (1994), quantitative research may be seen as inflexible to discoveries usually made during data collection and that once the work is started, there is little the researcher can do if he recognises that some crucial items have been lost from the questionnaire or upon discovering that a question is unclear or is being misinterpreted by respondents. Gable (1994) suggests, therefore, that for all intents and purposes, the researcher should have a sense of the answers before starting the survey. For this reason, according to Gable, conventional quantitative (survey) research by and large serves as a methodology for verification rather than discovery.

Having noted these criticisms, a quantitative technique will be useful for statistical analysis of certain data such as socio-demographic details of respondents and income of the households and others in this thesis.

4.2.3 Qualitative research methods

In contrast to positivist research approaches, qualitative research tends to emphasise the socially constructed nature of reality. It seeks to understand a phenomenon in its natural situation and to make sense of what is observed in relation to the meanings that society assigns to it. It is characterised by detailed observation, with direct involvement of the researcher in a natural setting where the study is taking place. This method discards or rejects the positivist view that the social world can only be understood in terms of causal relationships (cause and effect). This is because the emphasis on causal relationships tends to neglect the values, interests, purposes and beliefs of the social actors. From this perspective, therefore, one viewpoint is that every person experiences (and constructs) his or her own reality. This is a reality that is subjective and can be studied through the subjective eyes of the researcher.

Here, the intention is to investigate how individuals perceive the relationship between the formal and informal economy in their own world. As this research is dealing mainly with people's perceptions, it is important to respect the differences in views in order to understand the subjective meaning of their behaviour in relation to their everyday objective realities. The qualitative researcher trusts that what people know and believe to be true about the world is constructed socially and made up through the interaction amongst people over time in specific contexts. As Cassell & Symon (1994) explain, there are certain assumptions underlying the qualitative research method. Some of these assumptions are summarised in Table 4.1.

Table 4.1 Assumptions of qualitative research methodology

- that there is nothing like agreed or established truth.
- that qualitative researchers are concerned with attempting to decode meaning and different interpretations of a phenomenon by the social actor,
- concern with understanding the individual's 'life world',
- they argue that generally qualitative research can take place in a naturalistic setting,
- tends to take a holistic view of situations – where context and behaviour are interdependent.
- recognises the active role of the researcher and the researched, making the research process 'transparent'

Source: (Cassell & Symon, 1994)

Qualitative methods allow flexibility in the research processes; that is, they allow the researcher to change the nature of his/her intervention as the research progresses in reaction to the changing nature of the context (Cassell & Symon, 1994).

4.2.4 Critique of qualitative methods

Like quantitative approaches, qualitative research has come under criticism, not least from those adopting a quantitative approach. Indeed, it is important to acknowledge that every research method has its strengths and weaknesses, whether quantitative or qualitative. Some of the critiques of the qualitative approach are discussed below.

For Bryman & Bell (2007), qualitative research methods are too impressionistic and subjective because they rely heavily on the researcher's unsystematic views about what is vital and central, and upon the close personal relationship that the researcher establishes with the respondents. According to Waitzkin (1990), in qualitative research the selection of discourse for qualitative analysis is not straightforward. He further explains, 'theory that is grounded in empirical observation does not develop easily from unsystematic accounts of a few cases' (Waitzkin, 1990, p. 476). The quality of qualitative interpretation is difficult to evaluate (Waitzkin, 1990) and this has an effect on generalisation and reliability. For instance, when participant observation is used or unstructured interviews are conducted with a small number of individuals in a certain locality, it is impossible to discern how the findings can be generalised or replicated to other settings (Bryman & Bell, 2007). In the view of Cassell & Symon (1994), most writers believe that qualitative techniques are much more time consuming in terms of both data collection and analysis. Indeed, as a result of unravelling some of the weaknesses of quantitative and qualitative methods, it was appropriate for this research to adopt a mixed method approach.

4.2.5 Use of mixed methods to illuminate research findings (Triangulation)

In this thesis, a mixed method approach has been applied. The mixed method approach, often called triangulation, refers to the use of more than one method in uncovering social

reality or studying a social phenomenon (Bryman & Bell, 2007). Denzin (1978, p. 291) also argues that triangulation is 'the combination of methodologies in the study of the same phenomenon' and it can be categorised into four main types:

- data triangulation, which refers to the use of a variety of data sources in a study;
- investigator triangulation ,which involves the use of several different researchers;
- theory triangulation, identified as the use of multiple perspectives to interpret the results of a study; and
- methodological triangulation, which refers to the use of multiple methods to study a research problem.

This research makes use of both qualitative and quantitative methods and the types of triangulation explained by Denzin (1978), with the exception of investigator triangulation: where different investigators independently collect data. The different reasons for adopting triangulation are now explained.

4.2.6 Rationale for using mixed methods approach

Apart from the nature of the research problem the rationale for using a mixed methods approach has been partly influenced by the reason given by Robson (1993). He asserts that if a research approach relied (solely) on a singular method, some unknown part(s) or aspect(s) of the results obtained would be attributable to the restrictive aspect(s) of the method (not) used, in obtaining such result(s), as cited in Dobson and Love (2004, p. 96). Gable (1994) contends that, in general, the case for combining methods is strong. The need for triangulation arises from the ethical need to confirm the validity of the research process (Tellis, 1997).

Bryman & Bell (2003, p. 291) believe that 'triangulation entails using more than one method or source of data in the study of social phenomena'. The use of triangulation in this context is referring to method and not methodology. Using triangulation with reference to case studies means using multiple data sources (Yin, 1984). Of all the data sources identified by commentators (e.g. Stake, 1998; Yin, 1984), the main data sources for this research are documentation, interviews and direct observation. According to LeCompte &

Schensul (1999, p. 131), 'multiple sources of data serve as sources of confirmation or corroboration for each other. The rationale here is to ensure that information collected from individuals is accurate'. One could check the accuracy of the data from the document source by field observation or interviews with participants.

One of the key benefits of triangulation is that it helps reduce or mitigate personal bias connected with a particular methodological technique. This is not to say personal involvement is not important. Furthermore, a triangulation methodology integrates both testability and context into the research. This is because assembling different categories of data by diverse techniques from different sources grants a wider range of coverage that may well result in a fuller representation of the element under study than would have been realised otherwise (Kaplan & Duchon, 1988b).

Section two

4.3 Research strategy and research design

This section aims to explain the research strategy and choice of research design adopted in this thesis in order to answer the research questions and achieve the research objectives. A research strategy, according to Bryman & Bell (2007), simply means a universal direction in which to conduct business and management research; this could be quantitative or qualitative.

On the one hand, according to Remenyi et al. (1998, p. 44), a research strategy includes being aware of the ontological and epistemological assumptions that underpin each different research methodological strategy (Morgan & Smircich, 1980). As stated above, a combination of methods is applied in this research. The choice of this particular research strategy has been influenced by the research questions, cost or budget, time available, target date for completion and the skills of the researcher (Lancaster, 2005; Remenyi et al., 1998; Yin, 2003).

A research design, on the other hand, is a detailed set of questions, hunches and procedures, and plan of action for the conduct of a research project (LeCompte & Schensul, 1999, p. 61). For Bryman & Bell (2007, p. 40) 'a research design provides a framework for

the collection and analysis of data. It represents a structure that guides the carrying out of a research method and the investigation of the subsequent data'. The next section discusses the research design for this study

4.3.1 Adopting case study as a research design

As Zikmund (1984) observes, there is no standardised form of research design and therefore the selection of a suitable research design greatly depends on the research problem. This suggests, therefore, that there are alternative ways and means to approach the research problem. In order to achieve the objectives of this research, a case study approach is used. Within the case study both qualitative and quantitative data are embedded. In response to the qualitative aspects of the research, a research case study is known to address three main features of qualitative method. These are describing, understanding and explaining (Yin, 1994). LeCompte & Schensul (1999, p. 83) assert that a case study technique is suitable when dealing with a population, process, problem, context or phenomenon whose parameters and outcomes are unclear, or unexplored. In terms of this research, the prevalence and characteristics of the informal economy in Ghana are still to date unclear. There is a huge disagreement over the marginality view in particular and also the formalisation of the informal economy in general. So by using case studies to examine the motives of informal workers, it may be possible to uncover a valid theorisation and assess whether the marginality thesis always holds, as well as examining other views on the relationship between the formal and the informal economy in Ghana.

This thesis utilises multiple case studies for analysing the nature of the relationship between the formal and informal economies in Ghana with particular reference to Koforidua in the Eastern Region. The use of case studies makes it possible to include past and present phenomena drawn from multiple sources of evidence including questionnaire administration through interviews and document sources (Leonard-Barton, 1990) as well as personal and participant observation. In the view of Yin (1994), the study of multiple cases strengthens the results by reproducing the pattern matching, thus increasing confidence in the robustness of the theory. The case studies examine the nature of informal enterprises

and entrepreneurship in five selected study areas within Koforidua Township (Adweso, Ada, Betoom, Old Estate and Srodae). These are case studies of localities but within these there are also actual cases of informal enterprises and entrepreneurs within the analysis. To develop a critical dimension, attention was not only given to the voices and perspectives of the actors, but also to the relevant groups of actors and the interaction between them. This embodies a particular attribute that case studies possess of offering a voice to the voiceless and powerless.

Yin (1994) proceeded to identify six primary sources of evidence for case study research. The use of each of these might require different skills from the investigator. Not all sources are essential in every case study, but the importance of multiple sources of data to the reliability of the study is well established (Stake, 1995; Yin, 1994). The six sources identified by Yin (1994) are as follows: documentation, archival records, interviews, direct observation, participant observation and physical artefacts. In this particular research, three out of the six sources were used, namely interviews, direct observation and documentation. It has to be pointed out that no single source has a complete advantage over the others; rather, they might be complementary and could be used in tandem. Thus, a case study should use as many sources as are relevant to the study.

The major benefit of using case study as a research design stems from the fact that it allows the achievement of a personal understanding of organisational phenomena (Patton, 1987). For Feagin et al. (1991), the central and fundamental aspect of case studies is that they strive towards a holistic understanding of cultural systems of action. They assert that cultural systems of action refer to a set of interrelated activities engaged in by actors in a social situation. In this way, I gained understanding of the cultural issues spoken of by the respondents. From this it was possible to consider how that cultural commitment affects the way they conduct work in the informal economy. Although adopting a case study approach demands an enormous amount of time and at times contrasting and inconsistent evidence emerges which make analysis difficult, it has the exceptional strength of being able to deal with a variety of evidence such as documents, interviews and observation (Yin, 2003).

4.4 Data generation and collection method

According to Bryman and Bell (2007), data collection, whether primary or secondary, may be achieved in a number of ways. It can include a precise instrument, such as a self-completion questionnaire or a structured interview schedule, or participant observation whereby the researcher pays attention to and observes others (Bryman and Bell, 2007). There are several data generation and collection methods. These include mail (post and electronic), telephone and face-to-face interviews. Of all these methods, the face-to-face interview is the most common method, especially for gathering survey data on more sensitive topics. Although it is also the most expensive and time consuming, face-to-face interaction does minimise misinterpretations, encourages high response rates and has the capacity to supply a lot of information. In spite of this, the household questionnaire is rather complicated and giving it to respondents to answer on their own can bring about low response rates and misjudgements. Comparing the pros and cons of all the methods the realisation was that an interviewer-administered (face-to-face interview) approach was the best for this study and it was thus used for gathering data on both the households and the institutions. A face-to-face interview was considered more appropriate than a mail questionnaire in view of the low literacy rate of the respondents in the study area. Even in situations where the literacy rate is assumed to be high, there would be problems of lack of efficiency and lack of public confidence in the Ghanaian postal system to contend with. Interviews also avoid the potential difficulties that respondents might come across if they were to respond to the questionnaire on their own.

4.4.1 Rationale for employing interviews as the main method for collecting data

The interview is considered to be a key strategic research tool for gathering data given the nature of this research and the socio-cultural background of the potential respondents. Burgess (1982, p. 107) claims that the 'interview is the opportunity for the researcher to probe deeply to uncover new clues, open up new dimensions of a problem and secure vivid, accurate inclusive accounts that are based on personal experience'. During the field study in Ghana, some information was captured during the interviews which the questionnaire did not capture and/or which the respondents hesitated in responding to.

The main aim of using interviews was to develop an understanding of the respondents' "world" and how they construct meanings and understandings of the environment within which they operate and how these shape the perception about them (Easterby-Smith, Thorpe, & Lowe, 1991). In relation to this research, the approach adopted was the individual face-to-face verbal interaction type of interview, for the simple reason that some of the questions were open-ended and unstructured and may well have required prompts and probes to elicit a suitably comprehensive response. In addition, some of the structured questions needed an in-depth explanation to ensure they were fully understood by the respondents.

In line with previous studies on the informal economy in which the household was used as the unit of analysis (Chen et al., 2004; Debrah, 2007; Palmer, 2007; Williams & Windebank, 1989; Williams, 2005, 2006, 2007 a, b), the main method for collecting data was face-to-face interviews. Conducting interviews provided the opportunity to observe the way people answered certain questions based on their facial expressions and gestures.

The outcome is that respondents gave the kind of answers to the questions that facilitate the analysis of the data. Berger & Luckmann (1966, p. 43) state that 'the most important experience of others takes place in the face-to-face situation, which is the prototypical case of social interaction'. This is significant when discussing the informal economy because people perceive it as not contributing to participants' well-being or to national economic growth. Therefore, face-to-face interaction offers the opportunity to obtain first-hand original information about the informal workers from the informal workers. Such information, given about themselves, may be more accurate and a truer reflection of the events than could be gained through observation. Notwithstanding, sometimes people exaggerate issues when they meet strangers and this may affect the "wholesomeness" of respondents' points of view.

4.4.2 Sampling method used

The fieldwork was conducted in two phases. The first phase was carried out from October 2007 to December 2007 and the second phase was conducted between February and May 2009 in Koforidua in the Eastern Region of Ghana. This is the first known

empirical survey of the relationship between formal and informal economy in Koforidua, Ghana. In line with Williams (2007), to avoid the pitfalls associated with studying only one specific locality-type in which informal work is undertaken, this research made use of maximum variation sampling to select respondents in each of the five selected areas within the Koforidua Township in the New Juaben Municipal Assembly. Subsequently a spatially stratified sampling technique (Kitchen & Tate, 2001) was used to select 80 households, made up of 16 households for interview per area within the city. As Hoepfl (1997, p. 52) puts it, 'maximum variation can yield detailed description of each case, in addition to identifying shared patterns that cut across cases'. The two main circumstances for using maximum variation sampling are when the sample size is very small and/or when no population information exists but it is not difficult to find population members with the selected characteristics. The data collected in the interviews and direct observation were supported by information gathered from available literature and also from documentation gathered during the fieldwork, in particular from the Municipal Assembly.

4.5 Questionnaire design

This section is aimed at explaining how the questionnaires for the study were designed. One of the most important tasks for every researcher is questionnaire design in that the quality of the research depends on asking the right type of questions to answer the research question(s) and achieve the research objectives. In view of the broad and exploratory nature of this research, it was decided that both structured and semi-structured questionnaires for the interviews were the best means to conduct this empirical research using multiple case studies. Different sets of questionnaires were designed for households and institutions (policy makers) within the Koforidua Municipality. Before engaging in the questionnaire design, appropriate literature about questionnaire design was reviewed.

Platek et al. (1985, p. 27) assert that 'while the process of reaching the objectives may require several rounds of discussion, at some point agreement will be general enough for the work of constructing a questionnaire to begin'. Achievement of objective and subjective responses from individuals and policy makers rests on the skill with which a questionnaire has been constructed. Basically, there are two ways by which one can

develop a questionnaire for a research question; open-ended and closed-ended. The amount of freedom offered to respondents differentiates one from the other.

4.5.1 Closed-ended questions

The study made use of both closed and open-ended question for the survey. On the one hand, closed-ended questions are those that integrate answers or response categories that are specified beforehand by a researcher (Peterson, 2000; Platek et al., 1985). The key merit of the closed-ended question format is that it offers a standardised frame of reference for respondents as a tool for selecting their answers to the question. Answering closed questions requires less effort from the respondent and thus there is less chance of non-response or a 'don't know' answer (Vinten, 1995).

These types of questions were mainly applied in the household interviews, largely because of the literacy levels of the respondents. This made the data collection exercise much easier than if using open-ended questions: which sometimes produce irrelevant responses due to embellishment by respondents. It enhanced the interview process and also increased the response rate.

The most important disadvantage of closed-ended questions is that they presuppose that the questionnaire designer is able to identify the most commonly given responses and to design categories for them. Closed questions also have a propensity to "lead" the respondent. Again, there is a risk of respondents avoiding a true answer where there is embarrassment or lack of clarity of thought (Vinten, 1995) and sensitivity towards the issue. Taking into account these pitfalls, the household questions were mainly closed. The nature of the informal economy is somewhat complex and allowing respondents to give their own answers might not have achieved the objectives of the study. As a result, respondents were given the chance to select which answer they thought was the best from the list provided.

4.5.2 Open-ended questions

The policy makers' questions on the other hand were in an open-ended form. The rationale for this is that it is difficult to generate responses on policy issues and how the individual policy maker perceives and constructs their own meanings and realities. This is also a sensitive area and in line with the suggestion by Vinten (1995, p.29) that 'for sensitive or threatening questions an open questioning method is recommended'. The chief merit is that it permits the respondents to create their own responses with a high degree of freedom of choice. Again, open-ended questions are very useful and therefore play an array of roles in research, especially when used with follow-up prompts.

However, Vinten (1995) cautions that the respondent may need encouragement such as assurance of confidentiality, restating the reason(s) for the question or a re-emphasis of the importance of the interview as a whole.

Having constructed the individual questions they were then put together into a questionnaire form. A questionnaire is not just a compilation of individual questions. Bryman and Bell (2007, p. 731) explain that a 'questionnaire is a collection of questions administered to respondents'. To make it easy to administer, analyse and to avoid biasing question answers by the order in which they are asked and answered, a questionnaire should be structured. Questionnaire testing, including analysis, is carried out before the introduction of the field survey.

4.6 Data gathering

The study collected both secondary and primary data. The primary data were drawn from two sources, namely the households and the policy makers. The secondary data were obtained from documents from the municipal Assembly, NBSS and the Statistical Service Department. It should be emphasised that whether secondary data existed or not it was extremely important to collect primary data for the study.

4.6.1 Household questionnaire

The household interviews were found to be the hardest but most interesting part of the fieldwork. Here, instead of going via the formal route of writing letters or making telephone calls to gain access into organisations, an informal way through social networks was used to access and eventually interview 80 households in the five selected areas within Koforidua Township. Although the Municipal Assembly gave an authority note (see appendix 3) to ask potential respondents to participate, this was not seen as a formal letter to gain access into the community but to show the genuineness of the research.

The questionnaire used for the household interview was, as stated earlier, mainly structured, comprising the following sections: introductory and profiling questions, general questions, opinion questions and questions on informal work. The questionnaire was made up mainly of closed-ended questions with a limited number of open-ended questions, depending on the nature and sensitivity of the issue the question was addressing. In view of the fact that it is difficult and unrealistic to make available a complete list of answer choices for the closed-ended questions, it is always safe and prudent to end the list with "other (specify)". The interview adopted a slow but sure approach towards sensitive issues. At the beginning of the questionnaire were the introductory and profiling questions, e.g. name of the interviewee, sex, age, ethnicity, level of education/skills among others.

The opinion questions section centred on the evidence that part of the active population is engaged in informal work, which by the working definition of this research includes: all economic activities by workers and economic units that are within the law and practices not covered or insufficiently covered by formal arrangements (ILO, 2002). Respondents were asked to estimate the proportion of informal work in their opinion as against that of formal work, whether it is too low, more or less correct, too high or do not know. It is also believed that people who work without declaring their income risk tax and social security institutions finding out and issuing supplementary tax bills and possibly a fine. The question which was asked was 'how would you describe the risk of being detected? Is the risk very high, quite high, quite small or very small?' A detailed questionnaire can be seen in appendix 5. In terms of sanctions against those who undertake informal work, the question was: 'in your opinion what sanction is to be expected if the

authorities find out that someone has had income from work of "X" amount of money which was not declared to the tax or social security institution?' Again, in order to find people who normally do informal work it was asked: 'which of the following categories are in your opinion more likely to carry out informal work'. Respondents were also asked whether it was acceptable or not to carry out informal work. The questionnaire also contains questions on what compelled people to carry out informal work and what policy measures are most effective to prevent informal work.

The last section in the main body deals with the relationship between employers and employees in the informal economy, so as to better understand the relationship between formal and informal work. Ownership of enterprise, issue of registration of enterprise, payment of tax, reasons for setting up own enterprises and others were part of this section. Included also in this section were the specific individual case studies that are analysed in the next chapter. With this part of the questionnaire an open-ended form of questioning was mainly used.

4.6.2 Institutional (Policy makers) questionnaire

The use of unstructured interviews with open-ended questions to collect primary data from policy makers who have good knowledge about the workings of the informal economy, helped to provide this research with profound insights into the nature and dimensions of their perceptions of the situation in the informal economy. In addition, it helped to clarify those issues where there was little or no information or understanding about the subject under consideration. The idea here mainly was to uncover the institutional (policy makers) perception of the relationship between formal and informal work and how that has affected development in Ghana, especially of enterprises and entrepreneurship. The institutions interviewed were New Juaben Municipal Assembly (NJMA), where two key informants were interviewed (Municipal Planning Officer and Officer in charge of SMEs), National Board for Small Scale Industries (NBSSI – Regional Manager) and the Regional Statistician for the Ghana Statistical Service. (See appendix B for detailed institutional/policy makers' questions).

4.6.3 Reconnaissance survey of the study area

A reconnaissance survey was conducted before the piloting or pre-testing of the questionnaire took place. This was to gain first-hand access informally and also to inform the Municipal Assembly about the project, even though a formal letter, which was accompanied by an introductory letter from the main Supervisor, was sent to the institutions concerned two months in advance of the field trip to Ghana (see, appendices 1 & 2). In addition, it was used as a familiarisation visit to acquaint myself with the area and to collect some initial information. With the help of the Deputy Regional Town and Country Planning Officer, a map of Koforidua was obtained, which helped to locate the selected areas for the study. Access to the Town and Country Planning Department to get the map was facilitated by an officer who had been a former course colleague at the Planning Department of the Kwame Nkrumah University of Science and Technology. During an informal meeting with the Municipal Coordinating Director, we discussed the possibility of having an introductory letter, which would introduce me to the potential respondents in the community as well as the institutions. This introductory letter was vital as the municipal authorities indicated that people have been using devious means to gain access to and swindle informal workers in recent years. As part of this first visit I was able to locate and visit the selected areas within the Municipality. Again, this was done with the help of a friend who lives and works in the study area. He accompanied me with the map to identify the areas on the ground. My background as a Spatial Planner was an added advantage in using the settlement map of the town to locate the localities. Such local knowledge made the task easier and more enjoyable.

4.6.3 Selecting the five areas for the study

As noted earlier, five areas were selected based on working selection criteria, taking into account the research questions and objectives of the study and the nature of the phenomenon under consideration. These areas are described as affluent, semi-affluent and deprived. According to Williams (2006; 2007a), previous studies in advanced countries usually used an Index of Multiple Deprivation produced by the national government which

ranks local areas according to a complex list of indicators of multiple deprivation, dividing areas into affluent and deprived. However, in developing countries, this type of tool is not available or would be difficult to use even if it were available. Indeed, it is also extremely difficult if not impossible to assess personal income, especially of those engaged in the informal economy and, thus, defining areas based on income might not reflect the real situation. Instead, indicators such as how well the area is serviced with social amenities (e.g., access to electricity, telephone, pipe-borne water), environmental sanitation, plot size, price for undeveloped plots, rent, number of rooms per house, number of people per room (occupancy rate), number of people per household/house, number of households per house, physical layout were used. The selection was not based on convenience but was carefully chosen for specific reasons related to the core aim and objectives of this research.

Although there was no formal Index of Multiple Deprivation for Koforidua, or for that matter Ghana, in order to choose localities, the above criteria were used to select in a structured manner affluent, semi-affluent and deprived localities. Based on the above criteria, Adweso, for example, was classified as an affluent area in that it is well served with social amenities, with large plot sizes, expensive price of undeveloped plots, high rent, low occupancy rate (two to a room on the average), limited number of rooms per house, average three rooms per house, normally detached: which is locally called "self-contained", usually single household per house, kempt surroundings, clean streets, and the like. Notwithstanding the fact that income was not used as the main criterion, the physical characteristics of houses in this area may well suggest that income levels are high. Adweso is located on the Koforidua, Aburi – Accra road. Most of the people living in this area are employed in the formal sector, such as civil servants, public servants, registered company owners and the like. Few engage in the informal economy. However, along some of the main streets within this community some informal activities such as dressmaking, hairdressing and petty trading are carried out. The literacy rate in this area is assumed to be high compared with the other areas. This may be anecdotal evidence but the reason may be that in Ghana formal jobs are associated in most cases with a high level of education.

The next area is the Old Estate, which has similar qualities to Adweso but, as the name suggests, the buildings in this area are old in comparison to those of Adweso. This is one of the oldest estates in the Municipality, dating back to the early 1960s,

according to one of the respondents, which was confirmed by the Deputy Regional Town and Country Planner. The area has been described as semi-affluent (a mixed area with both affluent and deprived living alongside each other), although it exhibits most of the characteristics of the definition of affluent area in this study. However, it has lost some of these characteristics in recent years. Occupancy rate in Old Estate is low compared to Srodae and Betoom, with few rooms per house (mean = 3 rooms per house), well serviced area with social amenities; in terms of environmental sanitation it has well cleaned streets, kempt surroundings and the like. During a visit to the community some informal activities were observed taking place along the main road into the area and also on the streets within the community. The most dominant activities are dressmaking, carpentry, hairdressing, mini retail shops and others.

Another area that can be described as semi-affluent (a mixed area with both affluent and deprived living alongside each other) is Betoom. Betoom is located between the central business district (CBD) and the area commonly referred to as ministries (where government establishments, public and civil buildings are located). This differs slightly from Old Estate, which was also described as semi-affluent. Here, the occupancy rate is high, ranging between 4 – 4.5, with a larger number of rooms per house, many people per house, cheap rent compared to Adweso and Old Estate. The area is well served with social amenities and has a clean environment. However, not every house is connected with telephone (landline), even though the mains are already in place. This area is composed of a mixture of formal and informal activities. In terms of informal activity, trading (buying and selling) is seen to be the dominant activity, blended with other informal activities such as hairdressing, dressmaking, shoe repairs and food vendors.

Srodae, another of the selected areas, is located at the heart of the municipality – Central Business District (CBD). Traditionally, it is the home of the area's royal family. The palace of the Paramount Chief is located in this suburb. In an Akan traditional area, the Paramount Chief is the most important person. He is the landlord of the area. However, modern politics have stripped them of most of their powers and left them with more ceremonial roles in their communities. The area is heavily dominated by all kinds of informal activity ranging from hawking to selling of bagged iced water – locally called "pure water" or "Nsu", cooked meals locally called "chop bar", manufactured

goods of all kinds to wholesale (see figures 5.8 and 5.9 in the analysis section). This area also houses almost all the lorry parks (Stations) within the Municipality. For the benefit of those who have little or no knowledge in Ghana, "lorry stations" are designated areas where commercial vehicles depart and arrive. On weekdays (Monday – Friday) the area bustles with both human and vehicular traffic. There are, therefore, hawkers, waste collectors, vendors of all sorts of food, vegetables, fruits, meat, fish, snacks and non-perishables like clothing, hardware (building materials), soaps, cosmetics as well as electronics activities. Again, within this area you will find head porters locally known as "paa-o-paa" or "kayaye". It is important to emphasise that in Ghana head porters are part of the transport network as they help carry goods from one end to another to complete a traveller's journey and they normally operate within the CBD of the city. This is a common feature of informal employment in Ghana across the economic landscape. People of all ages and ethnic background are found engaging in informal activity of a sort. Srodae also happens to be described as semi-affluent based on the working definition. However, occupancy rate is high, averaging 4.5, number of rooms per house (i.e. 10 or more rooms per house), the number of people per house is high, there are multiple households, i.e. more than one household often living in rooms compound type of houses, rents are moderate and there is availability of pipe-borne water, electricity, telephone and the like. Rooms compounds are houses built with a courtyard inside enclosed by rooms and other facilities, for example, kitchen, toilet and bathroom. However, in recent times, especially in the urban areas, houses have been built in different ways, for example, what has come to be known in Ghana as "self-contained", normally for single households. Rooms compounds are still prominent in rural housing stocks. This type of house is very common and is the dominant type of house across the country. Some sections of the area are unkempt; some areas have choked gutters, rubbish on the streets, especially during the weekdays, and so forth. A growing concern in this area is that commercial activity is usurping the other functions of urban land use, with residential buildings giving way to stores and warehouses. The analysis of the data will look at the impact of informal activity on housing, especially in and around the CBD.

Last but not least is Ada, which is the only deprived area among the selected areas. Judging the area based on the criteria aforementioned, part of the area is

unkempt, has a limited supply of social amenities, irregular supply of pipe-borne water, poor sanitation, high occupancy rate of 4.5 – 5, high number of rooms, high number of people per house, low rents as compared to Adweso, Old Estate and even Betoom and Srodae. Migrants from other parts of the region and other regions mostly dominate this area. The most common informal activities are palm kernel extraction, garages (locally known as "magazine"), food vending, dressmaking, hairdressing, with small retail shops dotted all along the road and in front of houses. The second visit to the study area was to pilot or pre-test the questionnaires for both the households and institutions.

4.6.5 Pre-testing the questionnaire

On the second visit to the study area, both the household and institutional questionnaires were pre-tested. One of the key advantages of this exercise was that it offered the opportunity to become aware of the difficulties involved in administering the questionnaire, which might be due to lack of clarity, relevance or sensitivity of some of the information the researcher was looking for. In all, ten households and one institution were interviewed for the pre-testing exercise. The results were then used to improve some of the questions either by modifying or reformulating them or in some cases deleting them entirely from the questionnaire. In fact, some questions had to be re-written to make them more significant and understandable, and some were re-arranged in the questionnaire to facilitate easy administration. This pre-testing study also helped unravel the level of knowledge and experience of prospective interviewees so as to evaluate whether the questions were appropriate. The outcome was that some of the questions were totally eliminated after it became apparent that respondents would have problems in answering them. The way the informal economy operates in Ghana made it difficult to answer certain questions. Some of the questions that were deleted after the pre-testing are displayed below.

Have you in the past 12 months bought any goods or services which you had good reason to assume involved undeclared work, i.e. that the income was not fully reported to tax or social security institutions?
Yes .....( )
If yes why?
No.....( )
Don't Know.....( )

What kind of goods or services coming from undeclared activities did you (knowingly) buy? Would you please briefly characterise each of these services or goods?
Please rank the three most important in terms of value.

.....

A)_____
B)_____
C)_____

For each of the activities A/B/C

.....If you think about the goods or service you mentioned in A:
How much money did you spend on it?

Total amount in the last 12 months: ¢_____

Output: Amount of money spent on A

And whom did you buy it from?

Multiple answers possible

Friends, colleagues or acquaintances.....( )
Relatives.....( )
Neighbours.....( )
Other private persons or households.....( )
Regular firms or businesses.....( )
Don't know/No answer.....(

Output: suppliers for A

What made you buy it on the informal rather than the regular market? Multiple answers

Lower price.....( )
Faster Service / avoid red tape.....( )
Better quality .....( )
In order to help someone who is in need of money .....( )

4.6.6 Interview process (Questionnaire Administration)

The actual interview process began after securing the trust and confidence of the participating respondents; the interview started with an expression of appreciation in the form of thanking the interviewee for his/her time and cooperation. Participants were guaranteed the strictest confidentiality for their responses. In addition, the purpose of the research was explained in unequivocal terms to the interviewee and assurance was given that any information given would be used for purely academic purposes with no

commercial intent. In view of this, no person would be named in the writing up of the interview results, as only the general and/or combined findings/observations would be reported/included in the final thesis. Any other issues concerning the interviewees were clarified before the actual interview was conducted. During the interview, field notes were taken, alongside general observations surrounding the interview environment. To explore the extent and nature of the informal economy, face-to-face structured interviews were conducted. First, this involved collecting the usual background data on sex, age, and level of education, income, employment status and expenditure. Second, households were asked to name the principal and second most important sources they relied on to secure their livelihood so as to explore the importance of the formal and informal economies.

The household has always been the unit most commonly used to measure the extent of informal employment (Jütting et al., 2008). Generally, in conducting these interviews social networks and my ethnic background both played an important role in helping me to identify with those households. In terms of communication there was little or no problem as I speak the same local language as most of the respondents. This is not to say that only one ethnic group was interviewed, but in Ghana the Akan language is believed to be spoken by over 90% of Ghanaians. However, this is anecdotal evidence. The questionnaire for the household interview consisted of only a limited number of open-ended questions.

4.7 Direct/Participant observation

The interviews were augmented by direct observation whilst in the field. According to Tellis (1997), when a researcher visits the research area for the purpose of collecting data, a direct observation is said to have transpired. Direct observation could be formal or casual but the reliability of the observation is the main concern. For Yin (2003), a field trip to an organisation generates the opportunity for direct observation of significant behaviours or environmental conditions. As a native of the research area and also having worked with two different district assemblies within the region formerly, I had already observed some of the activities in the informal economy within the overall local economy. This experience proved useful in boosting the information for the study collected through interviews. The observational data were used for the purposes of describing the settings,

activities, people, and the meanings of what was observed from the point of view of the participants (Hoepfl, 1997). As stated by Hoepfl (1997, p. 53), 'observation can lead to deeper understanding than interviews alone, because it provides a knowledge of the context in which events occur and may enable the researcher to see things that participants themselves are not aware of, or that they are unwilling to discuss' (see, Patton, 1990). In this study direct observation played a key role in gaining full understanding of some of the claims in the literature. Observing how people conduct informal work in Ghana changed my view about the nature of the informal economy, especially in developing countries. I came to the realisation that the informal economy in Ghana is not a hidden enterprise as people openly conduct informal work of any kind. As a participant observer I was able to collect some information which the questionnaire did not explicitly cover.

4.8 Document analysis

Last but not least, additional data was collected from documentary sources. Lincoln and Guba (1985) distinguish documents from records on the basis of whether the text was prepared to attest to some formal transaction. For them, records include such sources as marriage certificates, driving licences, building contracts and bank statements. However, documents are prepared for personal rather than official reasons and include diaries, memos, letters, field notes and so on. Relevant documents regarding the informal economy from the regional or district also serve as additional sources of data. These documents include letters, memoranda, agendas, study reports, or items that could be added to the database (Tellis, 1997). The caveat here is that the validity of the documents was carefully scrutinised to ensure that only the appropriate sets of data were included in the database (i.e. data that was useful for the purpose of this research). Tellis (1997) asserts that one of the most important uses of documents is to corroborate evidence gathered from other sources.

4.9 Data analysis

Generally, data analysis may be seen as figuring out how to interpret the meanings of data comparing the experiences of the respondents of the different areas of study. According to Denzin (1989, p. 11), 'through the use of personal experience stories and thick description of lived experiences, the perspective of clients and workers can be compared and contrasted'. Having discussed the methodology for the study there is also a need to explain the intended analytical method. The questionnaire data were analysed at various levels. Firstly, a codebook was constructed for all the closed-ended questionnaire responses. After that, all the answers from the questionnaire were coded manually with appropriate numbers or codes. The next stage was to use the Statistical Package for the Social Sciences (SPSS) to enter all the closed-ended questionnaire responses into the data file. With the third phase of the analysis, all responses, which were entered in the SPSS data file, were analysed and some statistical analysis was done. Statistical computation was undertaken using descriptive statistics, including frequency distribution, mean and standard deviation, cross-tabulation and others which were relevant to addressing the research question of this study. It is fair to state that an in-depth statistical analysis involving bi-variate and/or multi-variate data was not conducted. This also explains why the study is heavily skewed towards the qualitative method.

Data collected from the policy makers' interviews were manually transcribed verbatim as part of the qualitative analysis. The results were analysed using content analysis. As cited in Hoepfl (1997, p. 54), Bogdan and Biklen define qualitative data analysis as "working with data, organising it, breaking it into manageable units, synthesising it, searching for patterns, discovering what it important and what is to be learned and deciding what you will tell others" (1982, p. 145). In most qualitative research the analytical process starts during data collection in the field as some of the data collected are analysed and fed into the ongoing data collection as an input (Miles & Huberman, 1984; Pope & Mays, 2006). In the same way field notes written during the fieldwork through observation were organised into a useful format. Finally, important information collected from documents was summarised into a document summary form (e.g. Miles & Huberman, 1984).

The qualitative analysis offered the opportunity to make sense of people's interpretations of social issues and thus form theories from the data. The analytical process may well include organising, reducing and describing the data, drawing conclusions or interpretations from the data and certifying those data, as data do not speak for themselves (Schwandt, 1997). This calls for creativity on the researcher's part because of the challenges of placing the raw data into coherent and significant groupings, assessing the data in a holistic manner and discovering a way of communicating the interpretations to potential readers (Hoepfl, 1997).

4.9.1 Coding

Coding, according to Encarta encyclopaedia, refers to a system of letters, number or symbols into which normal language is converted to allow information to be communicated secretly. In terms of research analysis, coding may well be explained in a different way. As part of the qualitative research analytical process, the researcher has to code all of the data collected: transcripts, field notes and the like. Schwandt (1997, p. 16) asserts that, 'coding is a procedure that disaggregates the data, breaks it down into manageable segments and identifies or names those segments'. It calls for continuous comparing and contrasting of various successive units of the data followed by categorisation. In terms of qualitative data, coding can be done for the purposes of generating theories and concepts as well as for testing hypotheses (Schwandt, 1997). Coding during the analysis helped to identify themes and name conceptual categories into which the phenomena observed could be classified. This assisted me in creating descriptive, multidimensional categories, which formed an initial framework for my analysis (Hoepfl, 1997). According to Corbin and Strauss (1990, p. 12), coding is the fundamental analytical process used by the researcher, and the interpretive process by which data are broken down analytically is called open coding. The rationale of open coding is to provide the researcher with new insights by revealing ideal ways of thinking about or interpreting phenomena reflected in the data. In the evaluation of the theoretical representations in chapter six, some responses were coded to explain a specific theory or theories which might seem to be duplications or contrivances.

4.9.2 Audit trail

As Schwandt (1997, p. 6), explains, an audit trail refers to 'an organised collection of materials that includes the data generated in a study; a statement of the theoretical framework that shapes the study at the outset; explanation of concepts, models, and the like that were developed as part of the effort to make sense of the data'. An audit trail was used as a means of managing recordkeeping and encouraging reflexivity about procedures by the inquirer. It was also used as a tool for a third-party examiner to verify the use of dependable procedures and generate confirmable findings on the apart of the inquirer (Schwandt, 1997). According to Hoepfl (1997), in qualitative research, reports are characterised by the use of "voice" in the text, which respondents extract to demonstrate the themes being explained. The audit trail offered the means for additional re-evaluation of the categories identified in the study to continue so as to establish whether adequate data exist to support my interpretations. In the final analysis, the researcher translated the conceptual models into a story line, which would be read by others (Hoepfl, 1997). As Hoepfl (1997, p. 55) puts it, 'ideally, the research report will be a rich, tightly woven account that 'closely approximates the reality it represents' (Corbin & Strauss, 1990, p. 57).

4.9.3 Ethical issues

A major element of this research is to address the ethical issues. The University of Sheffield Ethics Committee approved this study. A number of actions were taken to ensure that maximum ethical standards were conserved based on a list of key ethical issues as outlined by Saunders et al. (2000) see, appendix 5. These key issues are explained to give more meaning and understanding to potential readers of this thesis. Below the key ethical issues are explained.

- **Privacy of possible and actual participants** – a social contract was made before the interview to inform and assure participants that any information given would be

treated with the strictest confidentiality. Again, any information obtained from them would be used for academic purposes other than other use(s).

- **Voluntary nature of participation** – people were expected to participate in this study only if they wanted to do so. Nobody participated under undue influence or duress. Participants therefore gave information freely, as they wished. They were also given the right to withdraw at any point in the interview process. There was an instance witnessed during the data collection where, in the middle of the interview, a respondent declined to continue as she found the subsequent questions were invading her privacy. Immediately, the interview came to an end.
- **Consent and possible deception** – in order to obtain informed consent from participants, the objectives of the study were explicitly and implicitly explained to prospective participants. This removed any doubts which the prospective respondents might have had.
- **Maintenance of the confidentiality** of data provided by individuals or identifiable participants and of their anonymity: as indicated earlier participants were reassured of the confidentiality of any information given to this research. In view of this no actual names are reported in this thesis. Where certain names have been used, they did not refer to actual participants in this research.
- **Reactions of participants to the way in which you seek to collect the data:** in addressing this issue, I adopted an 'open door' policy whereby respondents were free to give the response they deemed fit. No pressure was exerted on any respondent in terms of collecting data from them.
- **Effects on participants of the way in which you use, analyse and report your data:** the researcher ensured that data collected would be used in such a way as to have little or no effect on the participants.
- **Behaviour and objectivity of the researcher:** though I support subjective reality, in terms of reporting data from the study, objectivity is applied as data are reported in the form in which they were given. However, my behaviour is influenced by my commitment to capturing the belief in how social reality.

4.9.4 Research limitations

Making known the research problems will aid potential readers' understanding and appreciation of why certain things are done based on certain assumptions and philosophical commitments, and also helps prevent the same mistakes being made again in future studies in this area. The major problems encountered before, during and after the data collection exercise in Ghana may also serve as inputs for future research. These are discussed below.

Firstly, there was an issue with accessibility, especially among the government institutions. As indicated earlier, access to information depends on the goodwill of some members of staff of these institutions. Moreover, some information such as that considered as classified was still regarded as confidential. Even though official letters, including an introductory letter from my Supervisor (see appendices 1 & 2), were sent out two months before the fieldwork, I received no responses before I left for Ghana. Upon arrival, the first visit to the study area was for the reconnaissance survey, and to visit these institutions and introduce myself informally. It was during this informal visit that, on checking their incoming mail files, some staff members realised that my letters had been received. Subsequently, appointments were made for the interviews, although these frequently had to be rescheduled. To give respondents a feel of the questions and thereby simplify the interview process, they were given a copy of the questionnaire, but this did not have much effect on their responses. In all, the intention was to interview staff at four key institutions which have a direct or indirect effect on the informal economy in the New Juaben Municipal Assembly. These were: the Eastern Regional Coordination Council (Regional Economic Planning Coordinating Unit), New Juaben Municipal Assembly (NJMA), Ghana Statistical Service (Regional Statistician) and National Board for Small Scale Industries (NBSSI Regional Manger) as stated in the methodology section. Of these, the Regional Economic Planning Unit declined the interview after the interview appointment had been rescheduled several times for no tangible reason. As a consequence, it was difficult to generate their views on the informal economy even though this has not affected the core objective of the study. The reason why their views were needed is that Koforidua (the study area) doubles as the Eastern Regional and New Juaben Municipal Assembly capital. The institutions which did give information were politically constrained and therefore refused to

answer certain questions.

Flowing from the above are the household interviews. Even though an introductory letter from the New Juaben Municipal Assembly (see appendix 3) gave me the authority to enter houses in the communities, whereas some households were willing and excited to be interviewed, others were unenthusiastic and uncooperative. Those who were not willing to participate gave reasons such as: 'it is becoming the habit of some people to come and collect information from us and use it to make money'; others remarked 'we have been promised all the time during this kind of exercise that we shall see positive results in our community but....'. More importantly, some households declined the interview simply because they were afraid of the tax people (Internal Revenue Service as it is called in Ghana) coming to impose more tax on them after the interview. In all cases, the purpose and the rationale for the study were explained in unequivocal terms and assurance was given that any information they provided would be used solely for academic and not commercial purposes. This could not convince some households, who refused to take part. Some households that offered to be interviewed refused to answer certain questions, for example, questions on income and expenditure, tax and others. Others would start answering the questions and halfway through would decline to continue and no amount of explanation would change their minds.

Another critical issue, which affected the data collection, was the issue of armed robbery, which has surfaced in Ghana in recent years. This made some households very sceptical about the "true" nature of people they open their doors to. During one of the visits to a community I had defined as affluent (Adweso) based on my criteria, I knocked at someone's main gate, I could hear people talking in the house but no one came to the gate to find out who was knocking. The impact of that on the whole data collection exercise was enormous as it extended the amount of time needed to finish the interviews. However, it did not affect the gathering of the necessary data for the study.

Data collection through questionnaire administration is also time consuming and laborious. Remenyi et al. (1998) assert that interviews as an approach can be expensive in terms of time spent on the interviews and travelling costs as well as in terms of the time it takes to complete the whole process. In certain instances, interviewees requested that I left questionnaires for them to answer and collected them the next day. This might

have caused some participants to give wrong answers due to misunderstandings of certain questions and terminologies, but I took care to avoid such situations, knowing very well the literacy level of the respondents in the selected areas. Therefore no questionnaire was left for a household member to answer. Some of the issues were not sufficiently straightforward to be answered by anybody without explanation.

The entire data collection exercise, especially questionnaire preparation and administration, requires the outlay of money. In my case this was a big issue, as I could not get funding for this research. If funding had been available, this research could have been moderated. Structured questionnaires at times provide leading answers and might not capture the right response from interviewees. There is also the possibility of interviewer bias during interviews. Some interviewees also exaggerate issues to embellish the whole interview process. In spite of the fact that interviewing may be time consuming, expensive and prone to interviewer bias, it is a very influential tool for collecting data. It makes available an opportunity to seek clarification where an answer is indistinguishable or to provide clarification if a question is ambiguous (Denzin & Lincoln, 1998; Tashakkori & Teddie, 1998).

Last but not least is the fact that this study was conducted in only one out of the ten regions and the views of the respondents might not be representative across the country. However, looking at the nature of informal economy in Ghana there is little or no difference in the characteristics of informal economy between Koforidua and the other regional capitals and thus, the views of the respondents in this study, though limited, may well be representative. Although not nationally representative, this study nonetheless provides one of the first insights into the relationship between formal economy and informal economy in contemporary Ghana. Despite these limitations, the data needed for the study was collected and if not all of the anticipated constraints were overcome, every effort was made during the data collection to ensure the quality of this research.

4.9.5 Summary

In this chapter the main methodology and epistemological concerns relating to social science and more specifically management research and how those concerns relate to this research have been discussed. In this chapter it has been argued that there are various paradigms which management research can make use of. The main philosophical standpoint of this research is qualitative (interpretive). However, different methods of data collection were used. Using the interpretive approach facilitated the understanding of social issues beyond the respondents' perspectives.

As a participant observer I became an active member of the community in order to understand and interpret the interpretations of the social actors and construct social 'reality'. Contrasting with the positivist researcher who starts from the assumption that social reality can be captured objectively, independent of our socio-cultural background, during my research I became an 'active social agent' and was influenced by socio-cultural subjectivity. This has shaped my understanding and subsequent interpretations of the actions of the people within this social context.

As a native of the Eastern Region where this study took place, my social and cultural background aided my observation of the issues, but I was not in any way influenced by my emotional attachment to the community. The community saw me as one of their own and therefore offered me their support for this study. I also had the advantage of speaking the same local dialect as my respondents and this gave me more confidence and minimised errors associated with translation through an interpreter. Furthermore, my experience from the district Assembly during my national service was an added advantage in terms of how work is organised in the informal economy. Again, as an insider I was able to understand local terms and certain body languages which provided me with the opportunity to probe further where responses seemed to be ambiguous and lacks meaning. However, the downside of being an insider was that respondents were somewhat cautious about what they said with the knowledge that I understand their language and this in away affected their natural way of responding to an outsider.

The methodology section also explained the adopted research strategy, and the reasons for adopting a mixed method approach. It has been examined in this chapter that

face-to-face interview was a valuable method for gathering the data needed for the research. Notwithstanding the research problems, which are discussed in detail in the conclusion, the necessary data were gathered for the successful completion of this research without compromising the quality of the thesis. The next chapter concentrates on the analysis of the results and in-depth discussion of the findings.

CHAPTER FIVE

FINDINGS: THE INFORMAL ECONOMY IN KOFORIDUA

5.0 Introduction

The previous chapter discussed the philosophical underpinnings and the methodology used for this research. This chapter presents the results, analysis and discussions of the data obtained from the interviews, direct observation, document sources as well as the key findings emerging from the empirical study in Koforidua. The chapter starts with some employment data of the Eastern Region on types of informal work in Ghana and other related aspects.

5.1 Employment status of the economically active population in the Eastern Region

It is believed that the adult population of a nation that is available and able to work provides the potential labour force of that nation at a specific point in time. In Ghana the legally defined age group is 15-64 years. However, in all societies there is room for those outside this legal age range to engage in lawful activities for themselves or their families (GSS, 2002). According to the GSS (2002), there is sufficient evidence in Ghana, for example, that children as young as 7 years old engage in family enterprises and that pensioners engage actively in economic activities. As a consequence, the population of interest becomes those aged 7 years and over 64 years at the time of the census. The definition of the working population is perhaps one of the reasons why the percentage of informal workers is so high: as the most recent census of 2000 shows that the majority of the people are in the age groups 5-9 and 35-39 years (GSS, 2002). In future a study could be conducted in this area to find out the exact numbers of informal workers, using the legally defined working population (i.e. 15-64) to establish whether there will be significant changes in the proportion of informal workers in the potential labour force. Table 5.1 depicts employment status of the economically active population by region and sex for the Eastern Region. This displays the distribution of the labour force.

Table 5.1 Employment Status of Economically Active Population by Region and Sex for the Eastern Region

Employment Status	Eastern	Percentages (Author's computation)
General		
Economically Active (7yrs+)	978, 720	**100**
Employee	110, 472	**11.2**
Self Employed No Employees	751, 468	**76.8**
Self Employed with Employees	41, 562	**4.2**
Unpaid Family Worker	35, 115	**3.7**
Apprentice	30, 447	**3.1**
Domestic Employee	6, 098	**0.6**
Other	3, 558	**0.4**
Males	**480, 012**	**49.0**
Employee	76, 109	**7.7**
Self Employed No Employees	345, 354	**35.3**
Self Employed with Employees	20, 583	**2.1**
Unpaid Family Worker	16, 497	**1.7**
Apprentice	16, 557	**1.7**
Domestic Employee	2, 901	**0.3**
Other	2, 011	**0.2**
Female	**498, 708**	**51.0**
Employee	34, 363	**3.5**
Self Employed No Employees	406, 114	**41.5**
Self Employed with Employees	20, 979	**2.1**
Unpaid Family Worker	18, 618	**2.0**
Apprentice	13, 890	**1.4**
Domestic Employee	3, 197	**0.3**
Other	1, 547	**0.2**

Source: Ghana Statistical Service, 2002

The relevance of the employment status of the economically active population must not be understated. It helps to mark out the proportion of the economically active population engaged in the informal economy and their gender distribution across the entire region. Table 5.2 provides information on the number of employees (formal) and self-employed with and without employees, unpaid family worker, apprentice, domestic employee and other (informal) for the whole region. The employment status information is then compared with the evidence from the study to identify whether or not there are variations between the data sets. From table 5.1 it is observed that more than three-quarters (76.8%) of

the economically active population of the Eastern Region are self-employed without employees as compared with 65.7% for the nation (GSS, 2002). In addition, unpaid workers, apprentices, domestic employees and others constitute 7.8%. This therefore leaves only 15.4% of the potential working population as employees and self-employed with employees. It is this population that may be taxed through the PAYE system at source. This kind of employment organisation creates a challenge for effective tax revenue mobilisation and the consequences for any taxation policy would need to be considered cautiously. At the other end of the potential labour force are those who may be engaged in the informal economy, where it is believed there is a flat tax rate regime operating. Additionally, there is a general pattern for both males and females across the region in terms of the distribution in Table 5.1 above. Comparing the female and male statistics from the table reveals that males constitute the greater proportion (7.7%) of the employees (who may be regarded as formal employees) as against their female counterparts at 3.5%. Aside from this women dominate all the other statistics. This situation supports the high female participation rate in the informal economy as identified by some previous researchers in this area (e.g. Dovi, 2006; Dzisi, 2008; Thompson, 2009). This evidence from secondary sources is presented in figure 5.1 to give an immediate impression.

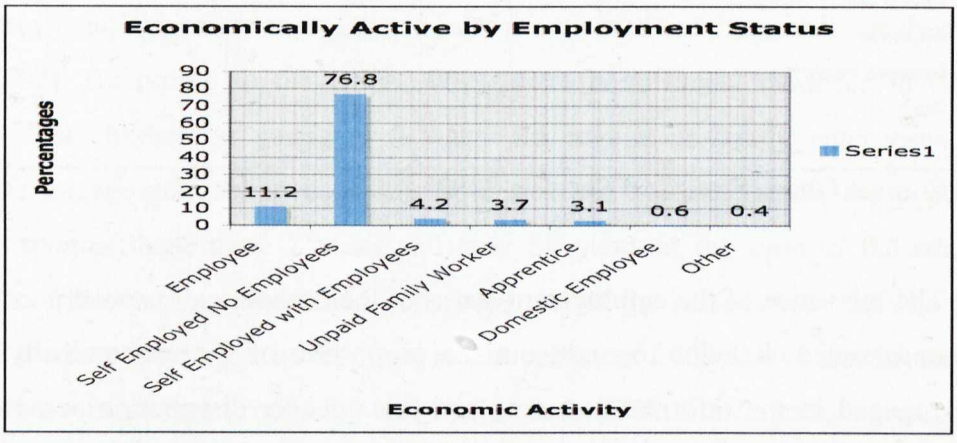

Figure 5.1 Economically Active by Employment Status (Author's own construct)

5.1.1 Types of informal work in Ghana

Informal work in Ghana for many years has been equated to survivalist activities that are conducted mostly by the marginalised as a necessary last resort when there are no alternatives available to them. One of the key findings from the literature is that previous researchers in this area have in most cases tended to concentrate on these marginalised informal workers to depict informal work in Ghana (see, Debrah, 2007; Dzisi, 2008; Hanson, 2005; Palmer, 2007a). This simplistic portrayal of informal work narrows the debate and also affects how policies are formulated to address the misery of the whole informal economy. It has to be argued that informal work has a wider scope than just the subsistence activities for survival. Few would question the view that the majority of informal workers in Ghana are marginalised (Baah, 2007; Thompson, 2009). However, it must not be taken for granted that informal workers in this country are always marginalised. As it is difficult to clearly distinguish between the formal and informal work, so too must care be taken not to classify all informal work as a survival kind of venture. Recalling the definition of informal work from chapter 2, it was revealed that there are informal workers inside and outside the informal economy. This therefore suggests that there are some formal enterprises conducting part or whole of their business informally. Another area for future research would be to investigate the extent of informal work outside the informal economy in Ghana.

As Table 5.1 shows, the informal economy in Ghana can be broadly grouped into three types: the self-employed with employees; self employed without employees; and paid or unpaid informal workers. The self-employed with employees are employers or operators who own small (unregistered) enterprises, usually employing less than 10 workers, who are in most cases unprotected. The self-employed without employees are independent, "own-account" workers who are engaged mostly in petty trading and agricultural activities, at a very micro or small-scale level. The paid informal employees could be classified as wageworkers. They consist of employees of informal enterprises, short-term and part-time workers, casual workers and domestic workers. The unpaid informal employees are family workers who are not paid (they depend on the family business for their livelihood). Apprentices and domestic workers may well form part of the unpaid segment. These

categories cover workers in agricultural activities, fishing and fish processing activities, rural agro-based processing activities, family labour, casual labour, apprenticeship and child labour in the rural informal economy, and many others like food traders, health and sanitation workers, domestic workers, repairers, construction workers, textile and garment producers, weavers, dress makers and beauticians in the urban economy. All these categories of informal participants work in what might be called "Informal Micro and Small Enterprises" (IMSEs).

From the findings of the current study, the distribution of informal workers across work categories is outlined in table 5.2. It may be argued that the statistics in Table 5.1 do not actually disclose whether people are engaged in the informal economy or not. The reason is that to regard the employees as representing formal employees and the rest as informal workers may be misleading. There may be some formal self-employed who employ others and other self-employed without any employees purely engaging in informal work. It may therefore be argued that there is not enough empirical evidence available to offer detailed information about formal and informal workers. As a consequence, it may be said, albeit with caution, that according to table 5.1 many informal workers appear to be in self-employment. The empirical evidence from table 5.2, however, demonstrates that there are more people engaged in the informal economy as self-employed operating on an individual level than there are self-employed who employ others. This perhaps is in alignment with government data and reports on the distribution of the economically active population across Eastern Region as shown previously in table 5.1. Table 5.2 shows the findings from the study in 2007.

Table 5.2 Employment status in Koforidua

Employment status	**Koforidua 2007 (%)**
Employees	13.0
Self-employed (with or without employees)	82.0
Unpaid family workers, apprentices, domestic employees & others	5.0
Total	**100**

Source: field data, 2007

This table reports on the economic distribution of the informal workers interviewed in Koforidua. According to table 5.2, employment (formal) in Koforidua is 13% higher than

across the region as a whole, which was recorded as 11.2% (GSS, 2002). This variation may be due to the fact that Koforidua, as both the regional and municipal capital, is endowed with more formal institutions and workers than the rest of the region. Aside from this, as Koforidua commands about 64% of the total population of the municipality, it may not be a surprise that it has such a high number of formal workers. Although sampling errors may have contributed, the effects might not be significant as the variation is not huge. Similarly, the figures on self-employed for Koforidua (with or without employees) are almost the same as those for the region as a whole. This official government data (GSS, 2002) and the empirical findings from this study confirm that, as is the case for the whole nation, the informal economy is the major employer in the region because the self-employed are engaged in informal activities (GSS, 2002). The basis for this claim is that there is little or no significant difference between informal and formal work disposition across other areas of the country as is the popular view in Ghana. Referring again, to table 5.1, unpaid family workers, apprentices, domestic employees and others make up 76.8%. Comparing this figure with the employees (11.2%) makes it more significant. So, if this proportion is not currently being considered in terms of estimating the informal economy's contribution to the national economy then it may be important for policy makers to review what is or is not an informal activity. This might well enable a more accurate assessment to be made of the actual contribution of the informal economy to the overall national economy.

5.1.2 Why do informal enterprises remain small in Ghana?

It is worth noting that although, as cited in many places in this thesis, the informal economy is growing, in terms of individual enterprises' size and contribution it is, in general, still small and marginal. Most of the informal workers operating enterprises are in the commerce sub-sector of the informal economy, especially those involved in petty trading and street vending (locally called in Akan "bodwabodwa" and "apampam store" respectively), as will be highlighted in this chapter. Porta & Shleifer (2008) posit that informal firms need to remain small in order to avoid being exposed and, therefore, lack the

necessary scale to produce efficiently. Notwithstanding this, the situation is very different in Ghana, in that the informal economy is not composed of secret enterprises which fear being detected by the state agencies and thereby are compelled to remain small. They remain small mainly due to factors such as lack of skills and entrepreneurial ability, and lack of funds to expand their existing business or start a large-scale business. In this study most of the respondents put forward that absence or inadequacy of access to funds for enterprises and entrepreneurs is the main factor contributing to the micro and small size of businesses in the country. As explained by a male provisions and confectionery seller who operates his business from a kiosk:

> 'It is my dream to expand this business so that I can make more money for my family and myself but I have very limited capital to expand and also it is difficult to get outside help. Microfinance institutions' interest rates are very high, ranging from 50% to over 100% in some cases per annum. The government's own poverty reduction fund is not easy to come by. Some even believe that you have to be a member of the ruling political party to increase your access to this fund. I applied once but was not successful and no reason was given why I was unsuccessful. There should be ways by which the government could make funds available for us as informal entrepreneurs at an affordable interest rate which is far below the prevailing rates charged by the microfinance people, not to mention the informal money lenders.'

This is the kind of situation most informal operators are caught in. In trying to substantiate this claim by the respondents, personal enquiries were informally made to three different microfinance institutions. The interest they charge ranges from 5% to 10% per month and some even charge more than that as interest on the credits (loans) to prospective borrowers. This therefore makes it unattractive to prospective borrowers and they may not even attempt to secure such a loan. Informal workers such as street hawkers selling goods out of baskets or in front of homes are very high risk in terms of lending monies to them. The outcome is that traditional commercial banks infrequently deal with this high-risk financial sector. The only way they can access financial help is from the microfinance institutions and other traditional informal moneylenders but their interest rates are unaffordable. The government's own poverty reduction fund aimed at helping the poor, who are mostly in the informal economy, is not easy to access. In spite of the fact that this facility is a revolving

fund, beneficiaries more often than not do not pay the money back, increasing the difficulty in extending the scheme to other potential beneficiaries.

5.2 Who engages in informal work?

Having discussed the types of informal work conducted, there is the need to know who engages in the informal economy. Generally the informal economy in Koforidua, as in many parts of Ghana, is composed of street vendors, hawkers, sellers of bagged iced water – locally called "pure water" or "nsu", cooked-food sellers (locally known as "chop bars"), artisans, carpenters, welders, metal workers and handicrafts, shoe shine and so on. There may be others who conduct part or the whole of their business informally but the study did not capture this segment. For example, formal or quasi-formal enterprises that engage in such activities are not included in the study. There are also those in the maintenance and repair division, including vehicles, home appliances and electronics; construction – road and building; others include commercial vehicle operators (buses or coaches, mini buses operating in the cities locally called "trotro" and taxis. The other set of informal workers are those working in the personal and social services such as hairdressing and beauty salons, restaurants and catering, child care, guarding of properties and the like, and in recent years repair of computers and mobile phones and internet café operation (Haan, 2006). There are those formal or quasi-formal enterprises that conduct part or the whole of their business informally. The trouble is that more often than not researchers in this area (Haan, 2006; Palmer, 2007; Debrah, 2007) tend to focus on the survivalist activities conducted by the marginalised and ignore others. This study, like previous studies in this area, also concentrates mainly on the informal self-employed, especially those engaged in services and commerce. From the above it is obvious that the informal economy is composed of diverse activities.

5.2.1 Occupational characteristics of the respondents (informal workers)

The main occupation identified from the empirical study is commerce, which confirms the finding of the report by the New Juaben Municipal Assembly. The predominant commercial activities range from retailing which is conducted from table-tops (bodwabodwa), stores, kiosks, containers and so on dealing in provisions, food, to stationery, hardware, mobile phones and accessories and the like. Others also are involved in food trading, including itinerant traders, chop bar and restaurant operators, most of whom are women (see Table 5.7). They are mainly illiterate or semi-literate, with business knowledge and skills obtained or handed over from generation to generation, principally from family and on the job. The next most prevalent occupation is construction work, employing workers such as masons, carpenters, steel benders, small-scale plumbers, house-wiring electricians and others, who are more often than not males. Again, some of the respondents are dressmakers, hairdressers and barbers. There are others in the garages, general repairs and electrical. The table 5.3 below displays the occupational characteristics of the respondents.

Table 5.3 Occupational Characteristics of the Respondents (informal workers)

Type of occupation	Percentage
Retail (provision/food stores, stationery, mobile phones, etc)	32.5
Food traders/vending (itinerant traders, 'chop bars', restaurants, etc)	17.5
Construction (Contractors & workers)	17.5
Dressmaking (seamstresses & tailors)	15.0
Hairdressers/ barbers, beauticians	10.0
Others (mechanics & auto repairs - 'Magazine', general repairs and electricians)	7.5
Total percentage	**100.0**

Source field data 2007

According to table 5.3, retailing accounts for 32.5%, food traders – 17.5%; construction – 17.5% with mechanics and repairs recording the lowest percentage. The occupational characteristics also provide evidence that this study like previous studies is tending to focus in the survival activities conducted by the marginalised population. Though there are a handful of informal workers in this area who are not marginalised or who do not accept the marginality view, the view emerging from this study is that on the larger scale informal work remains marginal in Koforidua.

5.2.2 Socio-demographic characteristics of the informal workers surveyed

This section provides information on the socio-demographic features of the respondents in this study. Different theorisations view informal workers as possessing different socio-economic characteristics. To fully evaluate these contrasting theorisations, therefore, it is important to evaluate the socio-economic characteristics of the participants in the informal economy in Koforidua. The socio-demographic characteristics of the 80 informal participants interviewed in Koforidua are presented in table 5.4.

Table 5.4 Socio-demographic characteristics of the informal workers surveyed

Characteristics	Percentage %
Gender	
Male	43
Female	57
Marital Status	
Single	26
Married	60
Divorced	8
Separated	4
Widowed	2
Age	
19-25	5
26-30	32
31-35	35
36-40	16
41-45	10
46+	2
Ethnic background of respondents	
Akan	55
Ewe	29
Ga/Adangbe	14
Northerners	2
Level of Education	
None	6
Middle School	40
JSS/O Level	25
SSS/A Level	25
Tertiary	4
Employment Status	
Employee	13
Self-employed	82
Unemployed	5
Employment sector	
Formal	8
Informal	92

Source: field data 2007 (Author's Computation 2009)

Some 57% of participants in the informal sphere are women and just 43% are men. This distribution is consistent with much of the literature regarding the gendered character of participation in the informal economy (Chen, 2005; Dovi, 2006; Dzisi, 2008). It might be asserted that this finding was produced because more women than men were interviewed in

this survey. However, this is not the case. It is simply that there are more women than men in the informal economy in this area as is the case for the nation as a whole (Thompson, 2009). There are also clear differences in the participation rates in the informal economy by age of respondent. Some 67% of the respondents to this study who participate in the informal economy are aged 26 – 35 years. The study also found that 60% of the respondents are married, while 55% are of Akan ethnic origin.

Overall, in Ghana the Akans constitute over 50% of the entire population. The Akans are made of up different peoples who nearly all speak the same local language or dialect called Twi or Akan. Among these people are the Akyems, Ashantis, Brongs, Akuapims, Kwahus and Fantis, to mention but a few. They are concentrated mainly in the Ashanti, Eastern, Brong-Ahafo, Central and Western Regions of Ghana. Koforidua may be regarded as an Akan community but it is made up of diverse ethnic groups. Although 55% of the population is Akan, this does not necessarily mean that they are all natives of the study area. A native here may be referred as an indigenous person who was born in Koforidua. Some of these Akans may have migrated from their homes in other areas within or outside the region, for mostly economic reasons, to live and work in Koforidua. It may also be argued that apart from the Yilo Krobo district, which is to the east of Koforidua (see fig. 5.3), the rest of the neighbouring communities are predominantly Akan. This might have accounted for the dominance of Akan in this area. Despite the fact that English is the medium of instruction in schools in Ghana, from the basic to university level, there are about 75 different local languages and dialects spoken (Dzisi, 2008), each connected with different ethnic groups. Although the main ethnic groups in Ghana are the Akan, Ewe, Mole-Dagbane, Guan and Ga-Adangbe (Dzisi, 2008), this study uses the Akan, Ewe, Ga-Adangbe and Northerners for analytical purposes. As Dzisi (2008) proclaims, there is no part of Ghana that is ethnically homogenous.

The importance of collecting data on the basis of ethnicity must not be understated. It is very useful in identifying how informal work is organised. The Akans are notable for engaging in petty trading ("apampam store" or "bodwabodwa" as they are called locally); most of the settler farmers in the study area are the Ewes who normally undertake informal farm work based on a shared arrangement which could be 50% – 50% or 33% - 66%. The 50 – 50 arrangement, locally called "Abunu", is where the landlord receives

50% of the output as the settler farmer. The 33 – 66, also known locally as "Abusa", is where the farmer takes two-thirds and one-third goes to the landlord. Migrants, mostly from the Northern part of the country, are predominantly engaged in the low paid informal work (by-day) either on the farms or in construction and other areas.

The head porters ("kayaye" or "paa-o-paa") are also akin to the migrants, especially those from the north. All these people have different socio-cultural backgrounds that also influence their choice of informal work. This kind of information is useful and may offer policy makers some impetus in addressing the issues confronting the informal workers of different ethnic backgrounds. Some of the Akans, especially the Kwahus, are believed to be among the successful entrepreneurs in the informal economy in Ghana generally. In Koforidua two successful entrepreneurs involved in the case studies are Kwahus. The Kwahus belong to the Akan ethnic group, who are also from the Eastern Region (the study Region). They own and run large informal enterprises or quasi-formal enterprises in Ghana, especially in Accra and Eastern Region, and they are among the few rich informal workers in Ghana as confirmed by the two Kwahus in this study.

Household responsibilities are normally shared between the wife and the husband, especially among the low-income households, as the evidence from the study shows. In Koforidua, wives typically conduct petty trading involving the sale of agricultural produce and manufactured products made either locally or abroad. They also perform unpaid informal work such as taking care of the family (washing, cooking, child care) and so on. Husbands, more often than not, undertake low paid informal work, reflecting the views of the structuralist, or are self employed in retail, construction, repairs and the like, confirming legalist views. In the case of married formal male employees conducting informal work on a self-employed basis, normally their wives take care of the business when they go to work in their formal jobs and they take over from the wives when they are back from work in the evening. A case in point was a 38-year-old civil servant who owns a small retail shop located at Srodae, one of the study areas. As he pointed out, 'this is our family business but my wife takes care of it during the day and I take over at night. As the shop is not far from where we live I can stay up to late into the night'. This also gives the wives some time to prepare evening meals and conduct other household chores.

There is a strong link between population distribution and how the informal economy is organised in Koforidua. First, the population of the area is increasing by 2.6% per annum (Municipal Development Plan, 2006-2009), but the formal (public & private) economy does not have the capacity to provide enough jobs for these growing numbers. According to Adu-Amankwah (1999), the number of formal jobs has been falling since the implementation of the Structural Adjustment and Economic Recovery Programmes in the 1980s. In Ghana the public sector constitutes the greater proportion of the formal economy. However, as part of the conditions attached to the implementation of the adjustment programmes, the government's ability to create more jobs was restricted and instead almost all the SOEs were sold (Osei et al., 1993; Sowa et al., 1992). It is fair to acknowledge that a limited number of formal jobs have been created recently, mainly in the financial and communication sectors. The creation of new jobs may be credited to deregulation, especially in the financial and the Information Communication Technology (ICT) sectors. These jobs are few compared to the number of new entrants into the labour market each year. They may be regarded as jobs for highly skilled labour (university graduates) with first and/or second degrees but few graduates get this opportunity because of what has come to be known in Ghana as the "whom you know" factor (social networks). Though there is no empirical evidence for the "whom you know" factor, it is commonly recognised in Ghana and may be regarded as one of the socially constructed realities.

Second, Ghana has a youthful population, with the majority falling between the ages of early teens to late 40s (GSS, 2002). It is expected that some of these energetic and able-bodied young people may end up in the informal economy, where their ability may be woefully under utilised. Underemployment is a factor in the predominance and character of low paid informal work under exploitative circumstances. It has become the norm of some formal organisations to employ graduates on a casual basis and renew their contract at the end of each term, according to a respondent who used to work for a formal organisation. This situation is likely to continue as long as the organisation needs these people's services and those involved are also willing to take up these jobs, he continues. The reason behind this is that if these casual workers are given permanent employment contracts, then the organisations may pay more in real terms as they would then qualify for the additional financial benefits for permanent workers. Consequently, employers deliberately

maintain their casual status "forever" in order not to bear the cost of regularising their employment. For example, interviewing a young graduate who was a victim of this permanent casual worker saga, it became apparent that after his national service with one of the formal financial institutions, they employed him on a casual basis for six months. Towards the end of the sixth month he was offered another six month contract, and this happened again and again. He did this for about two years and then decided to leave this job and run his own business. This is a clear case of a formal enterprise conducting part of its business informally. This former casual worker for a financial institution now runs his own informal internet café near the city centre in Koforidua. As he remarks,

> 'I must say that this business is far better than the casual job I was doing with the financial institution in the formal sector. Now I manage my own business and finances. I'm no longer concerned about the six months coming to an end as I used be. I must admit that it has not been easy during the early days in this informal work, but the future looks bright in this area. Internet café is a new business and the initial capital is a bit higher than other retailing and the customers fall within a certain "class", making it not attractive to "everyone". Thus only a few people are interested, making it a more unique business. I strongly believe that sooner rather than later I will make more money and be able to expand this business'.

Casualisation of work may be seen as informal work in that casual workers more often than not are not entitled to all the benefits that permanent workers enjoy. Normally, graduate casual workers are national service personnel who have completed their service to the nation, having benefited from tertiary education. The national service programme for many is their entry into the formal economy. As a result, when they finish their national service some prefer to be casuals rather than to be unemployed. This is where the formal organisations take advantage of these poor graduates and exploit them by offering them casual contracts. From personal experience I can confirm that sometimes these casual workers are paid the same money they were receiving during their service and in some cases just a little over the service rate. The reason why I see this type of work as informal is that there is no job security for these people, no social protection, no payment of tax and social security, no sick pay or annual leave and so on. This type of informal work is seldom discussed in the literature of Ghana. Even the ILO tends to place more emphasis on the

marginalised and how they can be assisted to move to the "decent work" end of the continuum. For example, the government of Ghana in concert with the ILO has implemented a pilot project in two districts in the Central Region of Ghana (ILO, 2007) with a view to helping informal workers in the district to move to formalisation or decent work.

Although the government does not have to provide income support for the unemployed as occurs in some western countries through the welfare and benefit system, population growth and its resultant employment issues are of as grave concern to the government as to other concerned citizens of the country. This is because it puts pressure on the existing infrastructure and other social amenities. Population growth must be seen as both a determinant and consequence of development and thus should be considered carefully in the formulation of national socio-economic development policies.

A huge number of the respondents (92%) are in the informal economy, with 82% being self-employed (the self-employed comprise those with and without employees). Among the self-employed, a minority of around 20% are found to be "opportunity driven" informal workers who may be described as fulfilling the tenets of the legalist theorisation of informal workers. They are perceived as informal workers who do not subscribe to the notion that informal economy is made up of the marginalised or the economically disadvantaged in the society. Some of them tend to have higher education: as evidence from the study shows that 4% of informal workers have received tertiary education (see, table 5.4). These self-employed businesses are still at the micro level generally but they have potential for future growth. One of the reasons advanced for this situation by the respondents was absence or inadequacy of access to finance for their operations. Table 5.5 highlights the major problems facing the informal workers of which absence/inadequacy of access to finance is the most significant.

Table 5.5 Major problems experienced by informal workers in Koforidua

Problems	Responses (%)
Absence/inadequacy of access to finance	75
Low education/technology	20
Low income (low savings, low capital build up & low investment)	5

Source: field data, 2007

Access to credit or finance is a factor that hugely militates against the informal workers in Koforidua and Ghana as a whole (Anuwa-Armah, 2005; Tagoe et al., 2005), and it was frequently mentioned by the respondents. For instance, a 42-year female trader in the informal retailing sector asserted,

> 'I wish to expand my business so that I can also employ one or two people to help me but there is no money to expand. The conditions attached to micro finance credit are so prohibitive. Not only are their interest rates high, but also they demand regular repayments and if your business does not generate money quickly you cannot get any financial help from these microfinance institutions'

Similarly, a middle-aged self-employed man who runs a retail shop pointed out that what people need here is money to set up businesses or expand an existing business. All the other problems could be addressed as long as there was money. For example, income levels may be increased if businesses are expanded. For some (e.g. Hulme, 2000; Vanroose, 2007), including myself, microfinance institutions are mainly exploiting the poor they profess to be redeeming from their financial bondage. Access to funding for informal operators remains a topical issue (Anuwa-Armah, 2005; Bamfo & Boateng, 2009). In Koforidua the situation is no different and it is even worse among some of the informal workers, as was expressed by respondents of this study. This explains why there is more literature on financing small and medium enterprises in Ghana (Anuwa-Armah, 2005; Aryeetey, 1996; Aryeetey et al., 1994; Bamfo & Boateng, 2009; Mensah, 2004; Tagoe et al., 2005) than any other aspect of the informal economy. The financial problem may well be partly responsible for the low education as the majority of the people are unable to further their children's education. It has been argued that giving these informal workers, of whom many have a low level of education and skills, financial help, may not solve the problem completely. What is needed is a critical needs assessment, conducted in a holistic manner and not just concentrating on one aspect which may not be the root of the problem. It is an undeniable fact that financial assistance to informal workers is inevitable but there may be other problems besides finance. Care must be taken that the informal worker does not become worse off as a result of solving his/her financial problems.

5.2.3 Low level of education of most informal workers

It is evident that a low level of education is one of the factors that push most people in developing countries into the informal economy (Baah, 2007; Chen, 2005; Chen et al., 2004; Haan, 2006; ILO, 2002b; Palmer, 2007a). It is also true that in countries where the formal economy is the mainstream economy, employing most of the people, literacy and education levels are high (Baah, 2007). Evidence from Koforidua supports the existing popular view that informal workers have a low level of education (Chen, 2005; Palmer, 2007). In this study about 80% of all the informal workers interviewed argued that their low level of education is primarily responsible for their participation in the informal economy. It is sometimes argued that a high level of education opens doors to formal jobs. However, a high level of education may not guarantee a formal job due to the nature of the current capitalist mode of production. It depends very much on availability and the number of the potential labour force searching for formal jobs. Why should this be an issue of concern? The answer may well be that a high level of education more often than not is associated with a high level of economic development, as evidenced by the western nations. There seems to be a strong connection between a low level of education and informality (ILO, 2002b). It may be contended that people who have no formal education are more likely to become informal workers and vice versa. The statistics in Table 5.6 below depict the educational level and sex of the households (informal workers) interviewed for this study.

Table 5.6 Respondents' (informal workers) Level of Education * Sex of Respondents Crosstabulation

Respondents level of education	Sex of Respondents		
	Male	Female	Total
Never	4%	2%	6%
Primary/Middle	16%	24%	40%
JHS/O Level	9%	16%	25%
SHS/A Level	11%	14%	25%
Tertiary	3%	1%	4%
Total	43%	57%	100%

Source field data 2007

The majority (65%) of the respondents have been educated up to JHS/O Level. A key observation here from the table is that from primary and middle up to Senior High School, females dominate (54%) as against males (36%) and this goes to buttress the case for high female participation in the informal economy in Ghana. The low female educational level, which may be explained with reference to socio-cultural factors (Dzisi, 2008), has a long tradition in almost every part of the country. Once upon a time, only a few girls were allowed to go to school or to continue beyond the basic level, as alleged by some of the respondents in this study. The finding from this study confirms this claim: as the percentage for primary and middle was 24% for females compared with 16% for males. Even though more females were sampled in this study, only 1% had a tertiary education, contrasting with 3% of males, although the situation has been changing in recent times (Acheampong, Djangmah, Oduro, Seidu, & Hunt, 2007; MEYS, 2004).

A low level of education may not be only attributed to the inability of people to go beyond a certain stage on the educational ladder. Part of the responsibility may be assigned to the educational system in Ghana which focuses more on the classroom work and very little is done to develop the technical skills which would potentially make the pupils more employable in both the formal and informal economy. Although some households pointed out that they are doing informal work because they want to practise a trade or skills acquired through leadership training and apprenticeship, most of them were of the view that they were doing informal work simply because of their low level of education.

The notion that education is the means to achieve socio-economic development has long been highlighted (Abban & Baafour, 1986; Nkrumah, 1943); however, since independence the emphasis has been tremendous. The underlying assumption is that all other things being equal, when people are educated they become more skilful and knowledgeable and thus can contribute to the growth of the economy. Immediately after Ghana achieved self-rule, the President (Nkrumah) developed a well orchestrated educational policy as part of the 7-year development plan (Sutherland-Addy & Causa, 2009). The educational system from that time remained in place until the 1980s. However, in 1987 there was a wake up call about the shortcomings of the then educational system which extended from basic and secondary (Ordinary & Advanced Levels) to tertiary level, as the system was they did not producing the skilled manpower needed to grow

the formal economy. As a result, there was a key policy change in education in 1987 to improve the relevance of the educational system by placing emphasis on vocational subjects (Haan, 2006). It is important to state that this educational reform programme was formulated in the context of an economic reform programme imposed on the country by the Breton Woods Institutions (Sutherland-Addy & Causa, 2009).

Five years later, another educational policy, called Free Compulsory Universal Basic Education (FCUBE), was introduced (Haan, 2006). The old system used to produce a limited number of graduates from the Ordinary and Advanced levels and few of these students gained access to the Universities, which were mainly state owned at the time. Even with this small number of graduates from the universities every year, the formal economy was unable to employ most of them. The new system, however, produces more and more graduates every year from the SHS, the Polytechnics and the other tertiary institutions (Acheampong et al., 2007). The outcome is that some of these people may not find jobs in the formal economy irrespective of their educational level and eventually become part of the informal economy, whether by choice or necessity, as the formal economy has limited capacity to absorb these growing numbers of graduates now or in the near future. This view is shared by some of the respondents who are university graduates and are doing informal work.

Around 40% of the respondents have an educational level up to Middle school, which is also consistent with Hanson (2005) who conducted a study in this same study area. Traditionally, the middle school system used to be the highest level of basic education in Ghana, popularly called "standard seven" and with a qualification called Middle School Leaving Certificate (MSLC). In the 1950sand even until the late1970s, the holders of the MSLC could land jobs in the public or civil services. This system was in place from before independence until the late 1980s when it was replaced by the Junior Secondary School (JSS) and Senior Secondary School (SSS) system. The JSS and SSS have now become Junior High School (JHS) and Senior High School (SHS) respectively. The change happened around the time that the decentralisation concept was also introduced. The current educational structure is composed of up to 2 years in the nursery, 6 years primary, 3 years Junior High School (JHS) and 3 years Senior High School (SHS). After SHS, depending on students' achievements, some will move on to post secondary

(e.g. teacher training and nursing training) and others to tertiary education (i.e. Polytechnics and Universities). Technical/vocational education is run along parallel lines, leading to polytechnics and the world of work. Apprenticeship training also leads to the world of work (Acheampong et al., 2007; Ministry of Education Youth & Sports, 2004).

It is also not surprising to find half of the respondents (50%) had levels of education between JHS, Ordinary Level, SHS and Advanced Level. This may suggest that there is a high literacy rate. However, there is a difference between literacy rate and level of education. A working definition of literacy rate is one's ability to read and write any language and in the case of Ghana these may well include English and any other local language. However, the Ghana Statistical Service's recent report from the Ghana Living Standards Survey 5 defines literacy as 'the ability of household members (five years or older) to read or write a simple letter written in English or in the local Ghanaian language in which they are most proficient' (GSS, 2008, p. 13). This definition tends to make the literacy rate a less than useful concept by which to judge the level of skills of the population. The level of education may be the highest attainment in one's educational process. The main rationale for this analysis is to concretise the assertion made by most of the respondents that they are doing informal work because of a low level of education.

Presently, in Ghana, those with levels of education up to the SHS and Advanced Level may find it extremely difficult to secure a formal job, especially within the public or civil service and the private sector, as shown in this study. So for this crop of people, their participation in the informal economy is due to necessity and can be explained with reference to the structuralist perspective or the marginality view. The Ghanaian educational system, from the basic to the tertiary level, has contributed in one way or another to the fact that more people are employed in the informal economy (Palmer, 2007a).

Aside from the low level education of the respondents of this study, across the country there are huge numbers of graduates who are engaged in the informal economy, both by necessity and by choice (Palmer, 2007a). Those working in the informal economy by choice elucidate the alternative perspective, which informs us that the informal workers are not marginalised by any factor(s) but rather are exercising their own choice based on their own cost benefit analysis of working in the formal or informal economy. However, only 4% of the informal operators in this study had tertiary education. As a

consequence, the informal economy indeed has become the final destination for most school leavers (Palmer, 2007). This is partly due to the inability of the formal economy to provide enough jobs to absorb this excess army of labour, although it may well be a choice on the part of those who see the informal economy as "better" than the formal economy. The evidence from the study sheds light on the motives of the informal workers and this has been emphasised in the individual case studies in the later part of this chapter.

Respondents also claimed that reasons such as the government's inability to expand the formal or private business sectors have made both local and international investors sceptical about the prospects of doing formal business in Ghana and this has considerably contributed to the dwindling nature of the formal economy. The decline in formal jobs may be explained with reference to the increase in formal jobs at a decreasing rate as against the increasing rate of new entrants into the jobs market every year (Adu-Amankwah, 1999). The outcome is that the informal economy has become the main employer in the economy. More new jobs are created in the informal economy than the formal. For example, currently one area of growth is the ICT sector, especially mobile phone businesses, as I witnessed during the field study in Ghana. If a telecommunication company like Vodafone Ghana employs say 20 formal sales workers it may well create several hundreds or thousands of jobs for informal workers who trade in talk time vouchers or sim cards and other accessories on the streets. The low level of education entrenched the dualist perspective by putting people with low education levels into the informal and those with high levels of education into the formal economy. Having analysed the impact of education on the growth of the informal economy from the point of view of the respondents, it is also fair to say that there is evidence from the literature which suggests the same scenario (Debrah, 2007; Haan, 2006; Haan & Serriere, 2002; Palmer, 2009). The study therefore confirms these aspects of the literature.

5.2.4 Contrasting gender and informal economy participation in Koforidua

The issue of gender and informality is of vital concern in that certain types of informal work are considered to be the preserve of one gender and not the other. Chen et al. (2004)

have emphasised the links between informal employment, poverty and gender. In terms of this study the interest is centred on the male/female dichotomy in relation to the type(s) of informal activity that each mostly engages in. There may be no defined separation between the two in relation to the type of informal work they conduct. It may be difficult to assign specific informal work to one gender or the other. However, the proportion of one gender conducting a particular type of informal work may suggest whether it is the preserve of the dominant gender. As a result, evidence from this study shows that females are the principal players in petty trading (street vending, hawking, etc). This also confirms the literature (Thompson, 2009). Information on gender distribution in the informal economy would also provide evidence as to applicability of different theorisations of the relationship between the formal and informal economy or suggest ways in which a new relationship between the formal and informal economy could be theorised. The table 5.7 summarises involvement in the various informal enterprises in Koforidua by gender.

Table 5.7 Involvement in informal enterprises by gender

Type of business enterprise	Male %	Female %	Total %
Retail (provision/food stores, stationery, mobile phones, etc)	12.5	20.0	32.5
Food vending ('chop bars', restaurants, etc)	5.0	12.5	17.5
Construction (Contractors & workers)	7.5	10.0	17.5
Dressmaking (seamstresses & tailors)	5.0	10.0	15.0
Hairdressers/ barbers, beauticians	7.5	2.5	10.0
Others (mechanics & auto repairs - 'Magazine', general repairs and electricians)	5.0	2.5	7.5
Total percentage	**47.5**	**52.5**	**100.0**

Source field data 2007

The evidence from table 5.7 reveals the dominance of women in the informal economy in Ghana. However, this is not unique to the study area as there is evidence across the country from the literature (see, Dovi, 2006; Dzisi, 2008; Thompson, 2009). Traditionally females dominate activities such as food vending, especially cooked food (chop bars), where local dishes are mainly served and also the restaurants where both local and foreign dishes are served. Females again are the dominant force in the dressmaking enterprise. In Koforidua, dressmaking shops owned by females are dotted along the main roads and streets within the communities. This is also true for those engaging in hairdressing and beauty salons, but

barbering tends to be a male dominated activity. Female dominance in these activities may be explained with historical and cultural reference.

In a typical Akan community such as Koforidua's, higher female education was not encouraged because of the stigma attached to female education (Dzisi, 2008). The female was and is still seen as the carer of the family and, therefore, normally ends up in apprenticeship training, especially in dressmaking (seamstress) and hairdressing, and in some cases becomes a 'permanent' housewife. The other sociological reason may be that these businesses normally operate from within the house or a store or space in front of the house. This offers the workers the dual opportunity of working and concurrently taking care of the family. However, activities such as mechanics and auto repairs, general repairs and electrics are the arena for the males, as shown in table 5.8 above. In recent years, though, as a result of technical/vocational education, which was the emphasis of the educational reforms, some females are entering into what used to be a male dominated field (Haan, 2006; Haan & Serriere, 2002).

As observed during this field study, there were few female apprentices at the garages ("magazine"), learning or training to become mechanics (fitters) or repairers in general. The retail sector is composed of both female and males. However, females are the dominant players in the street vending of vegetables, raw foodstuffs, cosmetics, sale of foreign used clothes (locally called "Foos" or "Obroniwawu", which literally means "the clothes of a dead white person") and other clothes (see Figure 5.8). Men are often seen operating retail shops where goods such as provisions, groceries and other household items are sold.

Understanding of the gender and informal enterprise characteristics is a key factor in policy formulation. This could be one of the key tools for the newly constituted Informal Economy Committee (Thompson, 2009) which has the mandate to address the socio-economic problems of informal workers: especially those relating to women, who make up over 90% of the informal economy, far in excess of their representation in the general population of about 51% (Thompson, 2009). Having established the relationship between gender and informal work and also confirmed that the informal economy is the main provider of employment in Ghana, the next section uncovers whether the informal workers

in Ghana are hopelessly poor or whether they can contribute meaningfully to the economic growth and development of Ghana.

5.3 Are informal economy workers in Koforidua always poor?

The relationship between informal work and poverty is a multifaceted and contentious subject that is continuously being debated (ILO, 2002b). For many years most informal workers have been branded as poor relative to formal workers (Chen et al., 2004; Hart, 1973; ILO, 1972; ISSER, 2007). However, evidence from the wider literature suggests that over 80% of the labour force in developing countries, especially Sub Saharan Africa, are involved in the informal economy (Chen et al, 2004; ILO, 2002b) and in Ghana the figure is over 90% (Debrah, 2007; Palmer, 2007; UNDP/ISSER, 2007). Looking at these statistics, the informal economy is by far the typical economy. In Ghana most of these informal actors earn very little income (GoG, 2003) and may be seen as poor, contributing very little even to their own development let alone the national development. Despite the fact that it is difficult in all aspects to define what poverty is, having observed the physical conditions of some of the informal operators participating in this study, it is possible to conclude that some of them are poor. However, physical appearance may be deceptive and therefore will not be regarded as a good indicator of poverty. Often these perceived poor informal workers live in deplorable conditions, and in the urban areas some of the migrant informal workers live in slums and shantytowns (Hart, 1973). The evidence base of this assertion is very much anecdotal but the reality is that the urban formal economy sees this as a separate economy (informal) operating in its own rite. This reflects much of the dualist view of the informal economy, reading the informal economy as old fashioned, often dominated by the poor and marginalised in societies who have no link with the modern market economy (formal sector).

It is believed that incomes are generally low among the majority of the informal workers – a view shared by both the household and the policy makers in this study. First, table 5.8 shows the annual income of informal workers as of the end of 2006.

Table 5.8 Respondents' annual income from Informal Employment during the Last Year

Respondents income GH¢	Percentage (%)
Less than 100	18
101-200	26
201-300	35
301-400	15
401-500	3
501+	3
Total	**100**

Source: field data 2007

The incomes displayed in this table are in Ghanaian cedis. It is imperative to state that the currency in recent times has been re-denominated (Muniru, 2006) and as a result these figures have had four zeros taken off the original currency values. The old currency sign (¢) was replaced by "GH" preceding the sign (¢). For example, ¢1,000,000 in old currency is now GH¢100; the value according to the Bank of Ghana is the same (Muniru, 2006). In this thesis incomes are quoted in the new form. To confirm that informal workers have low income the study compares the income of formal workers interviewed in the study. Table 5.9 depicts the annual income of formal workers. It is also important to argue that some of the informal workers who are also formal employees may have more income and might not be regarded as poor. According to the empirical evidence, 8% of the respondents are formal workers who also conduct informal work (see, table 5.4)

Table 5.9 Respondents' annual income from formal Employment during the Last Year

Respondents income GH¢	Percentage (%)
100-500	50
501-1000	33
1001-1500	17
Total	**100**

Source: field data 2007

According to table 5.8, only 3% informal workers earn income between GH¢401-500. However, to compare like for like, 97% of informal workers earn between GH¢100-500 as against 50% of formal workers whose income falls within the same range. It can be argued,

therefore, that in this study the majority of informal workers earn a low income vis-à-vis their formal counterparts. The effect on the informal workers is that they are able to afford only a limited amount of the goods and services that may be necessary to their existence. This low income may also be responsible for low education because informal workers may not be in a position to further their children's education. As stated already, it is not suggested here that everyone who works in the informal economy is poor or has low income, but, it is also important to focus on the poor majority, whose plight should be the main concern for policy makers. Poverty reduction or alleviation has been at the top of the government development agenda for years (GSS, 2002). Both the GPRS I and GPRS II have made key strategic policy statements to address poverty across the country. Whether these strategic policies will have any positive impact on poverty levels is yet to be seen.

In spite of the income earning ability of most of the informal workers, the policy makers believe that the contribution of the informal economy towards poverty reduction is immense. According to the policy makers, the informal economy in Koforidua employs around 90% of the potential labour force and therefore has the ability to absorb most of the potential labour force. As a result, in Koforidua the informal economy is making a contribution to reducing unemployment. It also contributes to revenue mobilisation in the form of tax, levies, fees and others. In a country where the formal economy has failed to provide adequate jobs for all (Adu-Amankwah, 1999; Palmer, 2007b), the informal economy has become the best alternative provider of jobs to augment the public and private sector jobs. The impact may be that as people become employed, they will start to earn some income: which means they will be in a position to buy goods and services to satisfy their needs and those of their dependants and thereby reduce their own poverty levels and enhance their living standards.

It is believed that informal paid workers have no contract of employment, lack of labour law protection and other handicaps. As a result, they do not qualify for benefits such as sick pay or maternity leave in the case of women; they are not entitled to pensions and a host of other benefits as compared with the formal workers, as outlined in 1.1 (simply put, no social protection). The policy makers claim that the key issue here is that on a larger scale very little impact has been made on poverty reduction through the informal workers' own contributions. Even in Koforidua (both the Regional and Municipal

capital), poverty can be seen and felt in some areas. The high incidence of poverty among the informal workers may well explain why the international community classifies Ghana as a poor country.

As one of the respondents pointed out,

> 'the majority of us (informal actors) operate at subsistence level, especially in agriculture, which is basically from hand to mouth, and little or nothing in some cases is left for sale. In situations where people do sell, they do so not because they have excess but to get money to buy other goods and services that they cannot produce from the cash economy'.

This was a popular view among certain respondents who considered themselves to be peasant farmers alongside their petty trading activity. Empirical evidence shows that the informal economy in Koforidua is not only composed of the poor and the marginalised but also there are some who are perceived to be rich or have high income.

It is also important to acknowledge that these "rich" informal workers have been overshadowed by the poor majority, as mentioned above. The evidence is that some informal enterprises do employ others on a paid informal work basis; for example a self-employed construction worker who employs four permanent workers and other casual workers as and when they are needed. Although, employing others may not necessarily make one a rich person, in this context they are seen as rich people: the reason being that in Ghana the popular view is that owning a business and employing others is an indication that the owner of that business is rich. This may be seen as another of the socially constructed realities in Ghana. The widespread representation is that these self-employed with employees are not poor, though they failed to disclose their actual monthly or annual income. In contrast to the poor informal workers, the physical appearance of the perceived (by the society) rich informal workers bears witness to their comparative prosperity. It is not being argued here that everybody in this sort of situation is a "rich" informal worker. The perceived rich informal workers are the people who believe that informal work is an alternative to formal work and can generate a greater income than the formal. This therefore makes it difficult to accept the claim that informal actors are largely destitute and entirely poor. Evidence from the case studies shows that those who are in the hardware

business, "big" retail operators, contractors and others are not poor compared with street vendors, petty traders, hawkers, porters and so on.

An in-depth analysis of the policy makers' responses suggests that there is no mechanism to organise or regulate workers in the informal economy: though they operate openly in the full glare of the policy makers. Despite the fact that informal work is conducted openly, unlike in the advanced economies where it is seen as a hidden enterprise culture (Williams, 2006), the authorities have little or no power to organise or regulate these actors. According to the Municipal Planning Officer, one of the ways used to mobilise or organise the informal workers has been the organisation of a series of workshops by the Assembly for the informal economy operators. The intention here is to inculcate the idea of conducting business formally into informal workers in order to bring them towards formalisation. Here the main strategic policy option may be education and not legislation: education in the sense that what formalisation involves is unclear even among the policy makers, let alone the ordinary informal workers with low educational levels. Continuous sensitization and consultation may pave the way for the realisation of the formalisation dream of the government, GTUC and ILO. Legislation may deter informal workers from formalising their activities as this may increase the entry cost into formalisation. The Assembly until now has achieved very little in this direction, because informal workers may be strangers to this type of intervention. Besides, participants are not given any money in the form of training allowances to compensate for the loss of daily income as a result of attending the training programme. The training workshops may work if participants are given some sort of "reward" as an incentive to attend. It may sound unreasonable to some because the training itself is free. However, the cost may be far less than the benefit to both the training organisers and the participants. Attention is now turned to the motives that drive people into the informal economy as employers or employees.

5.4 Motives of informal workers in Ghana

This section looks at the motives of informal workers from two different angles. The first part deals with what motivates people, other than the respondents of this study, to engage in informal work. The next section, in contrast, discusses what drives the respondents

themselves to operate in the informal economy. In developing economies, it is extremely difficult to find evidence that informal workers are not marginalised but participate in the informal economy by choice (Chen et al., 2002; Hanson, 2005; Palmer, 2007a). Although there may well be a handful of informal workers in the developing economies that undertake informal activity based on choice, the proportion of those who are driven by necessity and for survival is very significant (M. Morris et al., 1996). The necessity driven motive may imply forces outside the informal economy that push people into the informal economy to become informal workers. This is especially so in periods of structural changes in an economy when people attempt to mitigate their socio-economic circumstances. It also means that those who engage in the informal economy as a consequence of this are often motivated by their socio-economically disadvantaged position. In sharp contrast, opportunity driven situations are those where there exists an opportunity to satisfy a need within the informal economy and this acts as an incentive or a pull factor or a "magnet" to attract potential informal workers to take advantage of the perceived opportunity. These entrepreneurs are not in the informal economy for survival purposes but to do business with a self-motivated interest and conviction. As confirmed by Jutting et al. (2008), some people engage in informal work after undertaking a cost-benefit analysis and thereby concluding that informal work is their best option. But the question is: what are the proportions of necessity and opportunity informal workers in Ghana?

Evidence from Koforidua revealed that some informal workers choose to participate by operating their own business because they enjoy the independence, flexibility, potential for making more money, etc. Others do so because of their inability to find a job in the formal economy, which may, as claimed by majority of the respondents, be attributed to low level of education. Allocating informal workers to the freewill or determinist ends of the divide is extremely difficult. The reason is that there are some informal workers who are driven by both motives. Notwithstanding, in this study, the responses were so clear that there was little or no difficulty in classifying them as either freewill or determinist. Respondents who constantly throughout the survey emphasised issues such as low level of education, inability to secure formal jobs and the like were classified as determinist. On the other hand, those accepting that there was more benefit in doing informal work were seen as the freewill informal workers. It is not suggested here that all the freewill

informal workers had a relatively high level of education. What makes them freewill-oriented is the recognition that the informal economy has the potential for making working life more rewarding than the formal. Therefore, the educational level of these workers may not be relevant to the debate, though there may be some with a low level of education. The motives of the informal workers under the necessity/freewill dichotomy are shown in figure 5.2.

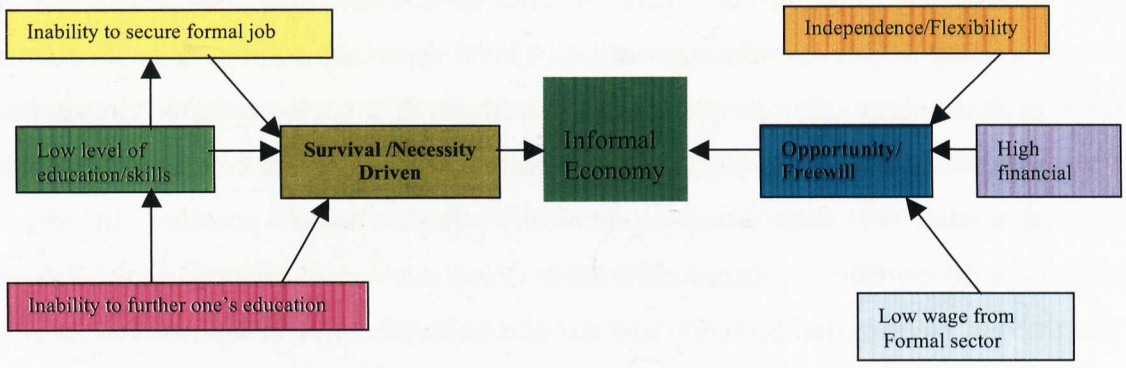

Figure 5.2 Motives of informal workers

Source: Author's own construct 2009

From Figure 5.2, a key observation is that while the factors which push people (necessity driven) into the informal economy are connected to or emanate from one another, the freewill factors are independent of each other. For example, low education has resulted in the inability to secure formal jobs but the high prospect of financial opportunity has no link with independence/flexibility.

In order to appreciate these findings, there is a need to compare them with debates in the literature. In research conducted by Williams & Round (2008) in Ukraine in which they looked at the motives for doing informal work, the finding was that about 53% conducted informal work out of necessity. The finding of this (Koforidua) study is that 31% said people do informal work due to difficulty in getting a formal job. When this is added to those who do informal work as a last resort, it suggests that they are doing informal work out of necessity and this is consistent with what is happening elsewhere, though the proportion in this study is low. Another reason why people operate wholly or partly in informal work is to reduce the costs of production by sub-contracting part or whole to cash-in-hand (Chen, 2004; Williams & Windebank, 1998; Williams, 2006, 2007).

Even though this is not the general case in this research, sub-contracting in the informal economy cannot be relegated to background throughout the country. Private formal enterprises, especially in construction, do sub-contract part or the whole of their work to informal contractors, who also employ labourers on a day-to-day basis on cash-in-hand to complete the contract.

As indicated by a carpenter who works for a construction worker,

> 'I work as a carpenter for a road construction company. I'm not a permanent worker for this company but I'm paid anytime I work for the company. This is what is known locally as "by-day". I have been working this firm for some time now but I am not sure if they would make me permanent'

Likewise, the changing structure of educational systems, the way computers are used in modern organisations, amongst other factors, have also priced some people out of the formal job market. The outcome is that some of these people join the informal economy. The formal and the informal ends of the economic continuum are often strongly linked (Chen et al., 2002) and lots of informal enterprises have production or distribution relations with formal enterprises, supplying inputs, finished goods or services, either through direct transactions or sub-contracting arrangements. Moreover, some formal enterprises hire wageworkers under informal employment relations (Chen, 2002). For example, in Koforidua some of the established informal workers employ part-time workers temporarily through contracting or sub-contracting arrangements. The finding in this case is consistent with the literature (Gerxhani, 2004), which suggests that this study is confirming what is happening elsewhere outside Ghana. The work of Snyder (2004) in the United States of America (USA) also supports that it is not the marginalised who work in the informal economy, but those who work out of choice (see, Cross, 1997; Cross, 2000). Others, including Fields (2005), have argued that in the urban informal labour market in developing countries there exist two situations; these are "the upper tier" and the "lower tier". The explanation Fields offers is that the "upper tier" consists of those who out of their own free will decide to work informally and the 'lower tier' is made up of those who cannot afford to be unemployed but have no hope of getting a formal job (Jütting et al., 2008). Although there are some cases of people working informally out of choice, the

majority of participants in the informal economy in Koforidua are necessity driven and do so as a survival practice. Some of these factors have also emerged from other studies elsewhere in situations that may be atypical of Ghana.

Be that as it may, the informal workers in Ghana, as in other developing or developed economies, conduct such work based on a number of motives, which may be explicit or implicit. Reflecting on the wider literature on both advanced (minority) economies and the developing (majority) economies, the motives of informal workers vary across the economic landscape of nations (Gerxhani, 2004; Leonard, 2000; Williams & Round, 2008a). One major finding from the households interviewed in Koforidua is that a low level of education (over 80% responded that they are engaged in the informal economy as a result of a low level of education) has contributed to most people's participation in the informal economy. This is in contrast to Gerxhani (2004), who found autonomy, flexibility and social networks as motivating people to do informal work. All other factors, such as survival, helping other family members, securing a job for myself, inability to secure formal employment, to practise a trade/skill, mentioned by the respondents, stem from a low level of education. Moreover, the inability of the government to expand the formal economy to accommodate more people is also an incentive for taking oninformal work, as pointed out by the respondents. A key finding from the literature review is that some of the literature tends to emphasise necessity driven informal employment, which involves the survival motive for undertaking any informal economic activity, especially in the third (majority) world (e.g. Hanson, 2005; Debrah, 2007). The focus turns in the next section to examination of what inspires the respondents to work in the informal economy.

Here respondents were asked, "What are your main reasons for working in the informal economy"? The intention was to find out the motives behind the respondents' decisions to conduct informal work or run their own businesses. Were they driven by freewill or determinism? The difference between this question and the one in the previous section is that instead of asking people to select from a pre-determined list of answers to why other people conduct informal work, here respondents were asked why they themselves do informal work or have established their own informal business. According to the empirical results, 82% of the respondents are self-employed, which is an indication that they have their own business, irrespective of the size of the business and the

type. Self-employment may be defined as jobs where the remuneration is directly dependent upon the profits derived from the goods and services produced (ILO, 2007). An array of reasons was given to support why they had set up their own businesses in the informal economy. These reasons can be grouped under determinism or freewill. It can be said that some of the motives could fall under either, but full explanation will be given, as there is no marked distinction in terms of the determinism/freewill dichotomy. Table 5.10 shows the motives or reasons for doing informal work or establishing a business in the informal economy.

Table 5.10 Motives or reasons for working in or setting up their own enterprise in the informal economy in Koforidua

Determinism	Freewill
Low level of education/skills	Independence/Freedom
Inability to get formal job	High prospects financially
Inability to further one's education	Decent living
Survival	Low wage from formal sector
Redundancy from formal sector	Manage my finances
Help families	
Job for myself	

Source field data 2007

Although these responses are not ranked, it came out during the interviews that almost everybody mentioned a low level of education as their main reason for engaging in the informal economy. As mentioned earlier, in Ghana the popular view, not backed by any scientific evidence, is that the formal sector is seen as the arena for highly educated or highly skilled people. However, there are also some low skilled workers in the formal sector such as cleaners and messengers. One's level of education, therefore, strongly determines one's ability to secure a formal job, whether public or private. The present educational system, which produces more graduates at all levels than earlier systems, makes it even more difficult for the formal economy to absorb them. More often than not a desperate situation calls for desperate measures. In view of this, those who could not secure formal work enter into the informal economy as self-employed or employees to avoid being unemployed. Another dimension of the level of education is that some of these excess graduates from the lower end of the scale end up in apprenticeship training, technical and skills training institutions. The outcome is that these people upon completion of

the training decide to set up their own business as a result of the skills they have acquired, which offer them some kind of comparative advantage through working in the informal rather than the formal economy.

Although the motives may be divided into two broad themes, it may be difficult to discuss the individual motives. The reason for this is that some individuals may have multiple motives which could fall under any category. However, in Koforidua it is fair to say that the majority (about 75%) are necessity driven informal workers. Cross (1997, 2000) reveals that because of limited opportunities many informal entrepreneurs do so out of choice. A study conducted between 1998 and 2001 by Williams also revealed that about 77% of those seeking to start up enterprises in the informal economy did so on the basis of voluntary choice (Williams, 2007c). From the literature on advanced economies, informal entrepreneurs tend to be more opportunity than necessity driven (Gerxhani, 2004; Williams, 2004b-a, 2007a, 2007b, 2007c): in stark contrast to developing countries where the majority of the informal entrepreneurs are necessity driven.

5.4.1 Inability of the formal economy to provide adequate jobs for all

The low level of education may seem to be responsible for the lack of formal jobs for the masses in Ghana. However, the evidence on the ground clearly points out that the government is extremely handicapped in attempting to provide more jobs. According to Palmer (2007b, p. 21), 'fifteen years on from the World Conference on Education for All (EFA) in Jomtien, EFA policies have started to result in some of the largest cohorts of primary school leavers ever witnessed in a substantial numbers of countries'. This is happening in an era when governments and private organisations (formal sector) are unable to provide enough employment and income generating opportunities, partly as a consequence of structural adjustment and subsequent freezing of the government's ability to create more new jobs (Adu-Amankwah, 2000; Debrah, 2007; Palmer, 2007b). The years of implementing an 'education for all' policy did not correspondingly provide jobs for all (King, 1997). The outcome is that a vast number of the school leavers are forced by the situation to enter the informal economy, both in the urban and rural areas (Palmer, 2007a). The government's ability to create more formal jobs was constrained as part of the terms

and conditions for implementing the structural adjustment programmes in the 1980s and 1990s (Adu-Amankwah, 1999; Osei et al., 1993; Sowa et al., 1992). Once more, the private sector, which would have provided more formal jobs to supplement those provided by the government, is tending to concentrate on informal employment. Even the Growth and Poverty Reduction Strategy (GPRS II – 2006-2009) does not have specific policies to expand the formal sector (GoG, 2005). However, this is what the document stresses:

> 'pursuant to this strategic orientation, the National Employment Policy will address objectives for the youth employment, labour market information, industry-based skill training, local economic development to support the large and growing informal economy' (GoG, 2005, p. 40)

In recent years the government has been able to create some jobs through the youth employment policy, youth in agriculture programme but these are not highly skilled jobs and only cater for a section of the growing number of unskilled and semi-skilled graduates. In Koforidua some of these workers are traffic controllers in the city centre and others work in waste management. It therefore stands to reason that the government's inability to create more formal jobs has contributed to the continuous growth of the informal economy. Having discussed the motives of informal workers holistically, the attention is now shifted to the individual case studies of informal worker from Koforidua.

5.5 From singular to multifarious motives: case studies of individual informal workers in Koforidua

As mentioned in Chapter Four, this study adopts a multiple case studies approach to evaluate the relationship between the formal and informal economies in Koforidua, Ghana. The essence of this is to compare and contrast the findings from each of the selected localities in order to draw meaningful conclusions. This section of the thesis looks at actual case studies of five respondents from the selected localities. The case studies further examine what people are doing, why they are doing what they are doing and the impact of their activities on their lives and the community they are part of. It is believed that people start a business because they have passion and lots of ideas by means of which they can

turn around their lives. These case studies may help to unearth the complex motives of informal workers in Koforidua and thereby to reflect what is happening across the country of Ghana. As established in the previous section, informal workers have varied motives for conducting informal work. Some of these motives are summarised from the data analysis: to be one's own boss, to survive, to be more independent and flexible, to pursue a new job perspective, to seek a new challenge, to earn more money (or to become prosperous), to realise a vision or a business idea, to enhance one's reputation and to connect a passion with the job (in order to achieve a better quality of life), or to continue family traditions and so on. Based on these motives, five case studies of informal workers are discussed to see which side of the determinist/freewill dichotomy they may belong to. The findings from the case studies may also provide information to conclude whether the majority of the informal workers are determinists, which would support the marginality view, or freewill, confirming the legalist perspective.

5.5.1 The case of a hardware shop owner

Paddy is a middle-aged man who is married with three children. He and his wife are self-employed and operate their own fast growing building materials shop (locally called hardware). Their shop is located in the CBD which is part of Srodae, one of the selected semi-affluent areas in this study. According to Paddy, he used to live and work in Accra for a state owned enterprise (SOE) which was privatised during the era of Structural Adjustment and Economic Recovery Programmes in the early 1990s. He was made redundant as a result but was given some money as his end of service benefit (ESB) or severance award. According to him, life after redundancy became unbearable and living in Accra was also becoming expensive with time. Although his wife was earning some income from her informal activity, the money was not enough for them to rely on for sustainable living. It was just helping them as a family to subsist. The situation got worse with each passing day, he lamented.

Culturally, he was losing his status as the head of the family as he could no longer be the breadwinner of the household. He said 'this made me think twice and one day I decided to go back home (Koforidua), leaving my wife and children in Accra'. And with

his meagre redundancy payout, which was still intact, he started a table top ('bodwabodwa') business in order to avoid being unemployed and also to maintain his status as a responsible father and husband and as the head of the family. So in Paddy's case the situation forced him into the informal economy as self-employed (marginality thesis). Initially business was difficult but after some years the business started picking up. After five years in the retail (bodwabodwa) business he saw an opening (opportunity) in the building and construction industry. With a little help from his wife he decided to open up this 'hardware' business. He converted part of a family house in the CBD into a store to start the business. From the late 1990s until today, in every corner of the city there are building projects, mainly for individuals who are living and working abroad, he emphasised. Paddy started mainly with the sale of cement and a few other building materials. At the initial stages he was selling very limited quantities at a time because of his limited capital and also the lack of credit purchase from his suppliers. He was buying from within Koforidua and thus the profit margin was not big. As the business grew, he was able to buy direct from the manufacturers or large wholesalers in large quantities, which allowed him some trade discount and also credit purchase. Today his business is one of the leading hardware enterprises in Koforidua, employing five people and two contributing family members. As the store in the CBD has limited space to accommodate further expansion and no parking facility for customers, he has put up his own warehouse outside the CBD so those buying in bulk can pay at the main store and collect from the warehouse. As he proclaims in his local language, "edwa no ye", which literally means "business is good". He is an example of an informal worker who started from the necessity level and has graduated to become an opportunity entrepreneur, enjoying the benefits of the niche he identified some years ago. Currently, there are more people going into the hardware business, as people believe that the hardware business is a "cash cow". In Ghana the common practice is that most people are risk averse and will only start a business which demands huge investment if they can find success stories in that particular business sector. He has become a successful entrepreneur and can be considered as one of the rich informal workers in Koforidua that the study refers to. For many an informal worker he is a role model and a local hero.

As Paddy concludes:

> 'the future is bright and with the current government support for the private sector, I'm hoping that my business will grow even bigger. What is most needed for new entrants is improved access to financial assistance at a manageable cost. Microfinance may be seen as a "necessary evil" but a better source of finance is needed'.

Drawing on Paddy's life story it would seem that he is a freewill informal worker but the reality is a multifaceted blend of someone grabbing an opportunity when he discovered a niche in the market and one whose situation forced him into the informal economy after redundancy.

5.5.2 The case of a migrant woman entrepreneur

Asibi is a single mother of two from the Northern Region of Ghana who migrated to Koforidua some five years ago. At age 23 she had two children but no husband/partner and she is now twenty-eight. Asibi's decision to migrate was influenced by the 'successes' of one woman from her community who also migrated from the North to the Eastern Region some years ago and occasionally visits her roots. The local women see her as a role model and want to emulate her. According to Asibi, she migrated to this area after a conversation with this local heroine. She left her two children with her mother in search of a greener pasture in Koforidua. I came across her during one of the household interviews at Betom – one of the semi-affluent study areas. During the interview it was observed that she was a bit uncomfortable in answering certain questions such as those on educational level and marital status. This opened up the opportunity to probe further.

She started telling her story from the time she came to Koforidua and how far she has come.

> 'I came to Koforidua with no knowledge of where I was going to stay, what kind of job I would do and so on. After a few weeks I found someone who was willing to offer me a job and accommodation. This was the job: I started as an iced water (locally known as "Nsu" or "pure water") seller. Since I had no money to do this on my own, I was doing it for a certain woman who offered me accommodation, food and a little commission. This woman had already three girls who were doing the same business for her. At my age I did not consider it to be anything but carried on to do this for some time in order for me to survive and pursue my dream'.

She did this for one and a half years and was able to mobilise some initial capital to start her own business, as she explained. With her initial capital of ¢200,000 (now GH¢20), which after the redenomination is currently equivalent to about US$15, she started selling oranges. She roams around the lorry parks selling oranges during the daytime and during the evenings sells them in front of the house where she lives. This is a common practice in Koforidua and across the country. At the time of the interview she had acquired her own small kiosk in which she sells an assorted range of products: food, detergent/soaps, provisions, confectionery and many more items. It has to be said that she still sells the oranges but this time in front of her kiosk. The story of Asibi mimics that of a necessity driven informal worker who had no other option than to engage herself in 'any' business just to make a living for herself and her family. Even though her activity is still marginal in all respects she has been able to fend for herself and her family back home through regular remittances, however small. Even though she was reluctant to disclose how much she earns at the end of the month, it could be deduced from the discussion that she earns more than the commission when she was selling the "nsu". Why is it important to examine women entrepreneurship in the informal economy? The answer may be that it is indispensable because when a woman is economically empowered she can contribute significantly to economic development of herself, family, the community and the nation as a whole (Dzisi, 2008). There are many more people like Asibi who need support and encouragement to carry on with their economic endeavours but these are not forthcoming. She also concluded by saying that people like her need some form of financial support to grow their businesses, especially from the Assembly.

5.5.3 The case of a business owner in the construction sector

Jamal, an example of a freewill informal worker is a civil engineer from Kwame Nkrumah University of Science and Technology in Kumasi, the second largest city in Ghana. After completing his studies he gained employment in a road construction firm (formal private sector). According to him, his desire was to start his own business but the need for start up capital pushed him into the formal sector so that he could mobilise some capital to set himself up in future years. Having worked for four years he was able to raise some capital which enabled him to start his own informal enterprise as self-employed. He moved into

the construction sector, specifically building construction. According to him, he started with no employees and was hiring workers whenever he had work for them. Now he has six permanent employees and depending on the scale of the job available he hires other temporary workers (locally called "by-day") to complete the job.

Currently, in most parts of Ghana one of the fast growing sectors is construction, especially the building of residential houses, as Jamal affirmed in support of a comment by Paddy the hardware dealer. He went on to say that in Ghana a person builds their own house rather than obtaining a mortgage and using building contractors and that the building construction sector is more lucrative than retailing. Houses are mainly built by incremental approach. He asserts that in recent years there has been a slight change as some financial institutions, especially the Home Finance Company (HFC) and others, are moving into the mortgage business, helping workers, particularly formal workers who have a secure job and perceived regular and sustained income, to own a house through a mortgage. As a result, building contractors are making more money. Jamal concentrates on building residential houses for his clients. He has now employed an architect; he has connections with an electrician and a plumber: making his business a one-stop shop for prospective clients. He also supervises the building projects of people who live outside Koforidua, especially those living abroad (Europe, North America and United Kingdom), mainly for a fee. He is a good example of an opportunity driven entrepreneur who foresaw the need to operate his own business long before his dream was materialised. I came across him during a visit to Adweso (the only area in this study described as affluent). When he was asked during his interview about his level of education, it was established that he had a degree in civil engineering.

When asked why he was doing informal work he said:

> 'the merits are enormous but permit me to mention a few. I found autonomy, I plan my business life around my life and family, I make enough money – more than when I was working for someone in the formal sector and there are many more benefits which maybe time will not permit me to tell you about. The future looks bright'.

He is now hoping to employ more permanent workers as the business is growing. With the

current conducive and enabling environment created by successive governments to support the individual (GoG, 2003, 2005), he is expecting his business to flourish and thus he hopes to contribute more to the economy.

5.5.4 The case of a self-employed woman dressmaker

Auntie Adwoa is a dressmaker who has been doing this work for well over a decade. She lives and works in Ada, the only deprived area as described by this study. After completing her basic education she was sent to a well-known dressmaker in her locality as an apprentice. In Koforidua further education beyond basic level was a preserve for boys in those days, as Auntie Adwoa informed me. She trained as an apprentice for three years. After completing her apprenticeship her parents opened a dressmaking shop for her. As a result of the contacts she made whilst an apprentice she was able to get a few customers initially, though it was not encouraging for her. What motivated her most was that the only skill available to her was the dressmaking skill and therefore come what may she had to practise it if she wanted to secure a livelihood for herself. After one year she took on her first apprentice. Presently she has six apprentices and four paid workers who were trained by her. She explained that within their context paid workers are termed as "work and pay". The work and pay is a form of paid informal work conducted by apprentices who have successfully undergone and completed their apprenticeship training but have no money to establish their own businesses, so they normally take up a "work and pay" position to mobilise some capital to set up their own business in future. This is especially common in the dressmaking and hairdressing businesses. Auntie Adwoa believes she is doing informal work because of her low level of formal education which excludes her from the formal economy. However, it is a complex situation here in that she is using skills she acquired as an apprentice to create a job for herself. According to her, she is one of the beneficiaries of the Assembly's workshops for entrepreneurs in Koforidua to help them formalise their operations. The meaning of formalisation in this context is helping people to accept the need to record their activities by using basic accounting skills and doing things in an orderly manner. The success of Auntie Adwoa's business speaks for itself when you visit her business premises which are attached to her home. As she proclaims,

'this is a very good business which the youth, especially girls, can go into to make their life better rather than relying on the government to give them jobs when there are none. Even though higher education is good, in this modern Ghana, government work ('Aban Adwuma') is hard to come by regardless of one's qualification and thus the informal economy is the best option for everyone'.

5.5.5 The case of a street vendor

Finally, Ms Skankani is a 24-year-old woman who lives in Old Estate, the last semi-affluent area in the study. She is engaged in a street food vending business. Specifically she sells fast food commonly known in Ghana as "fried rice" or "checkcheck". She got this business idea while she was training as a catering student at the Koforidua Polytechnic. She has two locations for her business; one is where she lives (Old Estate) and the other is at the only University (Private) in Koforidua. Her experience from the Polytechnic helped her to create this business, bearing in mind that students more often than not prefer ready made meals to preparing their own food. During school sessions, her business is at its peak, especially during examination periods when students may be busy preparing for their exams and may have little or no time to prepare their own food. I asked her whether she has any plans to expand and this was her response,

I don't intend to expand because expansion may call for additional hands but this business is a bit 'seasonal': when students are in school it is "big" more money but when they are on holiday I only concentrate on the small one where I live. I have had some discussions with the University authorities about a permanent location, possibly a store within the University premises, so that I can provide full restaurant services. If it happens, then I may need a helping hand'

Though she said there are other 'checkcheck' sellers at the University, she is satisfied with the current state of affairs and hopes that if she is able to secure the permanent location on the University campus then she may become a leader in providing full catering services for students. Ms Skankani believes that her business is not just a survival activity because 'my monthly profit is higher than my colleagues who are working at some hotels and restaurants'. Notwithstanding, she declined to disclose her monthly income or that of her colleagues. Her income, though not disclosed, may be higher than that of her colleagues

who are in formal employment.

As was found by other studies (e.g. Gerxhani, 2004; Schneider, 2002; Williams, 2007c), it is difficult to investigate the opportunity/necessity dualism and it is the case in this study too. The way to deal with this lies in a proposition by Williams (2007c): that some informal entrepreneurs are opportunity driven, while others are necessity driven. Until now there have been very few studies on the motives of informal entrepreneurs in Ghana and the findings on whether they are necessity or opportunity driven are by no means clear-cut. What Williams (2007, p. 242) suggests is that 'rather than treating entrepreneurs as universally necessity-driven or universally opportunity-driven, the starting premise of this wider literature analysing entrepreneurs' motive has been to accept that both types of entrepreneur exist and to seek to understand the different ratios in various national contexts'. This study shares the same view because in Ghana it is extremely difficult to divorce one from the other. Attention now turns to some of the key characteristics of the informal economy.

5.6 The issue of registration, organisation and payment of tax in the informal economy in Ghana

Are the informal workers or enterprises registered, organised and/or paying tax in Ghana? Evidence from the literature indicates that informal enterprises and workers are generally not registered for the purposes of paying tax or social security and are unorganised (Castells & Portes, 1989; Chen et al., 2004; ILO, 1972; Leonard, 2000). Yamada (1996, p. 291) also posits, 'a common interpretation of informality assumes the evasion of taxes and other government regulations'. This is highly debatable in the context of the informal economy in Ghana. Empirical evidence from Koforidua suggests that there are some informal workers/enterprises that are registered, organised and pay tax. It must be emphasised that this tax is flat across the informal economy landscape. However, caution needs to be used in discussing these attributes of informal workers. Registration was mainly with the Municipal Assembly. As stated by the Municipal Planning Officer, 'the Assembly has been organising training workshops for informal workers to inculcate good business principles (basic book-keeping skills) and other business management skills into the informal

operators'. This is being done under the auspices of the Social Investment Fund. This is how some of the informal enterprises came to be registered. One of the informal workers also claimed that she is a beneficiary of the Assembly's training workshop, as highlighted in one of the above case studies. The reason why these informal workers are not defined as formal workers is that they are still not enjoying benefits of working formally such as a contract of employment: which might include all the benefits applying to formal workers, respect for labour laws, payment of normal income tax in the form of PAYE, payment of social security contributions and so on.

The statistics from the household study concerning registration of informal enterprises are now reported: 22% of the respondents in this study claimed that their enterprises were registered, 61% said "no", 6% - "in the process of registration", 6% - "don't know" and 5% - "decline to answer". As noted earlier, government policy, supported by the ILO and World Bank, is to ensure the formalisation of the informal economy in Ghana so that decent work may be achieved. Registration is seen here as a critical component of formalisation in that when enterprises are registered it is anticipated that they would be educated in the formal ways of doing business such as basic bookkeeping, documenting all business activities and the like. Again, the registration may provide them with some business ethics and rules. They may be bonded by certain employment regulations to safeguard the interests of potentially vulnerable informal employees.

The other issue relating to the registration is the payment of tax. The finding here was very surprising because tax obligation has nothing to do with whether the business is registered or not. Though enterprises and/or entrepreneurs may not be registered, they still have a tax obligation and have to adhere to certain government regulations. The information gathered from the IRS suggests that the informal economy operators do pay some form of tax. The difference here is that as a consequence of absence or inadequacy of data on the informal economy participants in the records of the tax assessors and the informal operators, securing a "fair" tax assessment is problematic or even impossible. In spite of this inherent obstacle faced by the tax assessors, they have a way of calculating tax obligations for the informal workers. The two most common taxes paid within the informal economy are vehicle income tax (VIT), which was introduced in 2003 and paid by commercial vehicle operators – mainly GPRTU and PROTOA members, and

the tax stamp (TS), also introduced in 2005, which is paid by the traders, artisans and other self-employed. VIT assessment is based on the capacity of the vehicle in terms of number of passengers and the weight in tonnes of the vehicle. This tax is regressive in that the size of the vehicle may not determine one's income. For example, a smaller vehicle operating in Accra, Kumasi, Tema and other cities could make more money than a big vehicle operating in an area where the economic activity is not vibrant and only a few people commute on a daily or regular basis. TS assessment is based on the size of the kiosk, stall, store, or where the activity is being carried out and not on income. Here, too, the size may not be a good measure as sales may depend on the location of the activity, the actual activity and not the size per se. As a result neither the VIT nor the TS can be regarded as income tax because they are not based on incomes. These taxes are fixed for all informal operators across the informal economic landscape, especially among petty traders and other retailers. In accordance with the by-laws of the Municipal Assembly, rates such as daily market tolls, licence renewal fees, and the like are determined and collected from informal workers by the Assembly on top of the fixed tax from the IRS. While tax obligations may be enforced, there is no obligation for informal workers to pay social security contributions.

These taxes apply to the business and not the informal worker, except for where the business is the same as the informal worker. A business or enterprise pays the tax but if that enterprise has paid workers they are not affected by the tax explicitly. Both the TS and VIT are in the form of a sticker, which commercial vehicle operators display in the windscreen of their vehicles, and enterprises display in a visible position at their premises. Among the commercial transport operators there are two main organised groups which drivers belong to. These are the Ghana Private Road Transport Union (GPRTU) which is a member of the Trade Union Congress (TUC) in Ghana and Progressive Transport Owners Association (PROTOA). Both are well-organised informal associations. The GPRTU is seen as the most organised informal working group. As was mentioned previously, according to Croucher (2007), the GPRTU is Ghana's fifth largest union' within the GTUC fold. The GPRTU has been given the sole right to fix or determine transport fares for commercial vehicle operators across the country by successive governments of Ghana. This is normally done when there is upward or downward adjustment in the prices of petroleum products, especially petrol and diesel. The trouble here is that the GPRTU national

executive members comprise mainly vehicle owners who themselves were previously drivers and whose level of education may not be high enough to deal with this technical issue. Yet over the years no one has persuaded the government to withdraw such a sensitive, nationally important task and entrust it to experts in this area. The common belief is that successive governments have recognised the GPRTU as a strong force to reckon with politically and this has made the GPRTU "untouchable". The outcome is that whenever there is an increase in petroleum products, say 5%, in a hypothetical scenario, the GPRTU executives are alleged to use devious means to increase transport fares by more than the 5%. There is always tension in the country whenever there is an increase in the prices of petrol and diesel. Some years ago, when VIT was first introduced, the GPRTU was given the official mandate to collect it on behalf of the government. However, due to suspected improper conduct of some of their members in handling this money, this right was taken away from them and at present the IRS collect the VIT through sale of the VIT stickers to commercial vehicle operators. However, the police have been given the power to arrest those who disobey this rule. There are other organised groups such as the Hairdressers and Beauticians Association, Ghana Traders Association to mention but a few. These associations are formed within their own political economy (ILO, 2002) to provide a kind of competitive advantage for members and also to put in place a barrier to future entrants.

Another tax issue that emerged was that the tax collected is sent to the consolidated fund (central government fund) of which part is disbursed to District Assemblies in the name of the District Assembly's Common Fund (DACF). The DACF is a pool of resources created under section 252 of the 1992 constitution of Ghana whereby a minimum of 5% of the national revenue is set aside to be distributed among all District Assemblies in Ghana according to a formula approved by Parliament. The fund is a Development Fund which allows the use of the nation's wealth throughout Ghana for the benefit of all citizens (http://commonfund.gov.gh/site) The Assembly pointed out that the VIT and TS have an important effect on their revenue mobilisation ability because the tax, though fixed or flat, is higher than the daily market tolls, fees and licence fees collected from the informal workers. The trouble, acknowledged by the Assembly, is that the distribution of the DACF is based on the district's internally generated revenue ability. That is, the greater

the local revenue the bigger the Assembly's percentage of the common fund. This therefore affects districts that are unable to generate more revenue locally. Furthermore, informal operators tend to confuse the tax collected by the IRS and the fees or licences and market tolls collected by the revenue officers from the Assembly. I witnessed a situation where an informal retailer was exchanging words with a tax collector from the IRS. According to the retailer, someone had already collected the tax but it turned out to be not the same thing. These informal operators have a low level of education, as highlighted previously, and therefore need more explanation regarding these different payments in the form of education on the part of both the Assembly and IRS. As the TS is a single annual payment and the market tolls are paid on a daily basis there should not really be any confusion.

5.6.1 Conflict between the authorities and informal operators

Careful observation of the urban informal economy in Ghana reveals that there is an inherent conflict between the local authorities (Assemblies) and the informal workers (Thompson, 2009). The finding from this study is that in the opinion of some respondents there is some conflict between informal workers in Koforidua and the Assembly. The conflict in this environment refers to the lack of understanding between the informal workers and the local authority regarding the location of informal activities and how they conduct their business. While the Assembly wants to mobilise revenue from the informal economy in the form of market tolls, fees, licensing and the like, at the same time the Assemblies want to get rid of informal workers, especially the street vendors, partly due to the perceived negative impact on urban planning and management. Measures such as fines and confiscation of street vendors' wares have done little to deter the street vendors. According to one respondent who operates her business from a kiosk, the Assembly on several occasions issued her with letters ordering her to move her kiosk from its present location but she has not heeded the warnings. When I asked her why she did not want to move she remarked in local language 'me nni baabiara a mede bɛko efisɛ Adwuma wei ne me kunu. Ɛno nni ho a mɛda kom' (literally meaning 'I've nowhere to take it to, because this job is my husband. Without it I'll go hungry'). In Accra, the Greater Accra

Metropolitan Assembly (GAMA) has its own street taskforce made up of well-built men (locally called "Macho men") (Thompson, 2009). They patrol the major streets of Accra where street vending is mostly conducted. These street taskforce are believed to be "cruel", "intimidating", "physical" and "militant" and to harass innocent poor informal workers who are on the streets to make a living however illegitimate it may be (Thompson, 2009).

Nevertheless, street vendors play hide and seek with the street taskforce. As soon as the street vendors see them coming, everybody runs with his/her wares. As a result traders have nicknamed them "Abayee", which in Ga language literally means "they are coming". In Koforidua, the Municipal Assembly has its own street taskforce but the difference is that they are not as "militant" as those in Accra, as the Municipal Head of the SME department made clear. He however admitted that the Assembly does not have sufficient will to drive people away from the streets due partly to two factors. First, the Assembly see these informal workers as the main source of the internally generated fund (IGF) in the form of market tolls, fees, licences and the like. This source of revenue is of great importance because the size of the IGF determines how much an Assembly receives from the Consolidated Fund through the District Assembly's Common Fund (DACF) and therefore no Assembly will underestimate its major sources of revenue. In spite of that, these informal street vendors are becoming a nuisance to the city planners and managers, he concluded. Secondly, the Assembly sees the informal economy as a major employer, helping to reduce the unemployment that confronts the Assembly. As a result, driving them away may mean increasing the number of the unemployed, which will come with its own socio-economic problems. The whole situation is becoming like a "cat" and "mouse" game. The Assembly's effort to drive these people away from the streets has proven unsuccessful. Even where a permanent location has been given to these street vendors, they are reluctant to go. Some of the reasons they often offer are:

- They believe that it is on the street that pedestrian traffic is heaviest – potential buyers.
- It is a source of livelihood for many, especially the marginalised, and thus losing buyers may well bring severe hardship to them.
- Last but not least, there is a human rights issue. Street vendors believe that they

have a right to earn a living, which can be achieved by doing business on the street.

In the midst of this conflict the informal work continues to increase at a gathering pace. The next section looks at this growth in the Koforidua and the nation as a whole.

5.6.2 Exceptional growth in informal employment in Koforidua, Ghana

Another important finding is the continued proliferation of employment in the informal economy in Ghana over the past two decades. Firstly, the informal economy in Ghana in general and Koforidua in particular is growing at an alarming rate in terms of numbers (participation rate), as acknowledged by many commentators (e.g. Debrah, 2007; Haan, 2006; ISSER, 2007; Palmer, 2007a). Evidence from this study also suggests that the numbers are even higher, as both the households and policy makers interviewed confirm that over 90% of the potential labour force in Koforidua is engaged in the informal economy. Looking at the size of the informal economy one would argue that the participants are more important than the formal workers. At a glance it is difficult to identify the individual operators and their activities, as they seem to cover every space, forming a canopy comparable to a thick forest. But as in the forest, as one gets closer, it becomes clear that just as individual trees have their own permanent locations, so too do informal workers. This observation is consistent with finding in the literature that the informal economy is growing in all aspects across the economic landscape, both in developing and advanced economies (Chen et al., 2002; Chen et al., 2004; Debrah, 2007; Haan, 2006; ILO, 2002b; Palmer, 2007a; UNDP/ISSER, 2007; Williams, 2006, 2007; Xaba et al., 2002). It is no more a residual phenomenon (ILO, 2002). The situation is no different in Ghana which, according to Palmer (2007a), is noted for its strong informal economy (see also, Haan & Serriere, 2002).

This finding that the informal employment is growing, therefore, puts some of the theories of the informal economy in the spotlight, especially the dualist view. The reason for this is that the dualists' main assumption is that the informal economy will disappear or be absorbed by the formal economy as the country achieves some level of economic growth

and development. From all indications, it will be extremely difficult if not impossible for the formal economy to absorb the informal economy in Ghana. Though the informal economy is growing, one question this study wanted to answer is, 'are the participants of the informal economy marginalised?' It is becoming clear that the current growth of the informal economy makes it the mainstream economy and that it is the formal economy that exists only in certain marginal sectors.

Before discussing the extent of the marginality thesis, it is important to mention some of the factors responsible for the present growth of the informal economy in Ghana. Some of the previous studies in Ghana have argued that the growth of the informal economy is the by-product of the Structural Adjustments and Economic Recovery Programme (see, Aryeetey, 1996; Osei et al., 1993; Sowa et al., 1992). Similarly, Palmer (2007) argues that the growth of the informal economy may be attributed to the increased number of school leavers taking up informal work. It is true that the Structural Adjustments and Economic Recovery Programme did contribute to growth in the past. As it will be recalled, in the 1980s and 1990s the World Bank/IMF sponsored adjustment brought about freezing of formal sector employment (Adu-Amankwah, 1999). There was privatisation of almost all the SOEs, deregulation, liberalisation and globalisation. The major outcome of the privatisation was downsizing, which resulted in more people becoming redundant whether voluntarily or compulsorily.

Although deregulation brought in new firms, especially in the telecommunication sector, they employed few hands as the market was at the preparatory stage and also the necessary technological skills were not available. In addition, trade liberalisation and globalisation made it possible for firms to outsource what they could not obtain from the local economy from other producers, which also has contributed to the downsizing. The retrenched workers, especially the young and the middle aged, sought refuge in the informal economy. With their end of service benefit (ESB), they started operating their own small businesses, especially in the retail sub sector. For example, Paddy, one of the five selected case studies, emphasised that he used his ESB to start a business in the informal economy. Liberalisation and globalisation further accentuated the informal activity as a result of the lowering of barriers against the import of goods and services from abroad into the local economy.

The empirical evidence from Koforidua suggests a new growth factor. The emerging factor responsible for the growth of the informal economy in Koforidua and other urban areas in Ghana is the communications sector, or what has come to be known as Information Communication Technology (ICT), which has more potential for future growth. For the past five years or so there has been incredible growth in the ICT sector, especially of mobile phone companies: a view shared by the policy makers and some individual respondents. There has been tremendous growth both in terms of users and network coverage. Even in 2000 there were only a handful of Ghanaians who had access to or owned a mobile phone and network coverage was mainly an urban (mostly regional and some district capitals) phenomenon. The Regional Manager for NBSSI, in common with many others, saw owning and using a mobile phone at that time as a luxury and an upward movement on the social ladder. Getting a sim card nearly became an illegal business, as the telecom companies were unable to increase their supply, though the thinking was that there was a ready market. Today, there is evidence across the country that every corner in Ghana, even in the most remote area (s), can boast of coverage by at least one network. Whether the network is reliable or not is not the issue here.

The growth in the telecom sector has become an issue for this study as it attracts a lot of young people into the informal economy. As argued by a respondent (an internet café operator), this sector has witnessed a massive influx of school leavers, as well as graduates from the universities who might not be able to secure a job in the formal sector and therefore resort to setting themselves up as self-employed informal workers. Their core business is the sale of mobile phone sim cards and top-up vouchers (air time). It is asserted that presently the mobile phone companies (formal) are making more money from the informal economy. Some of the respondents claimed that the concentration now is on the sale of airtime rather than the sale of handsets . It was in accordance with this belief that the government of Ghana issued the Communication Service Tax (CST) Act of 2008 (Act 754) which was 'to provide for the imposition of communication service tax and other related matters' (Daily Graphic, 2008). The CST received presidential assent on March 28 2008 and subsequently became law. It is believed that this new tax came about as a result of the government recently realising the kind of profits these companies were enjoying. Embedded in the CST is the talk time tax which is levied on the airtime of the

mobile phone users. In addition, the government removed duties on the importation of mobile phones (http://news.myjoyoline.com/business/200804). The rationale behind this move may be that people hardly ever replace their mobile phones and therefore very little revenue was accruing from the import duties. In the case of the talk time tax, anyone who makes a call pays this tax irrespective of how long the conversation lasts and it is becoming a reliable source of revenue for the government. Those selling airtime buy directly from the companies at a discount and sell it for the face value to the consuming public, the difference constituting their profit. This has given the companies some kind of relief in that whether the seller or retailer is able to resell or not they have received their money already. In Ghana the common method of payment is cash, which avoids such dangers as a cheque failing to clear. This may have a positive impact on companies' operating costs and their cash flow. For example, there are no costs in terms of money and time for the preparation and sending of bills to customers, chasing defaulters amongst other administrative tasks. What the companies have done to boost profits is to make their call cost per minute cheaper than that of their competitors so that the talk time tax will not deter customers from talking for a long time on the phone. The photograph below depicts typical mobile phone dealers along a principal street in Koforidua.

Figure 5.3 Informal workers, mainly young males, in the mobile phone business
Source: filed data 2009

This kind of informal activity is rapidly emerging and it attracts more people into this sub-sector. There may be little or no research on this until now. However, according to the Municipal Planning Officer, the mobile phone business employs a lot of young people: those selling hand sets and others selling talk time vouchers. The worry of the Assembly is that this activity is conducted along the main roads between stores and the roads. Pedestrian walkways have been taken over completely by this activity. The associated problem is that thieves, mainly "pick pockets", normally operate in these areas, making innocent customers more vulnerable to attacks. As one of the sellers claims, 'it is really affecting our business because victims pass on their experience to others and it tends to put fear into potential customers' minds.

The other end of the ICT sector, which is growing quickly, is what is referred to as the Internet Cultural Era (ICE) (Azumah, Koh, & Maguire, 2005). According to an Internet

café operator (respondent), in years gone by the Internet was a luxury item to which only a few, such as government institutions and a few individuals, had (unreliable) access. In recent years, the Internet has become a common commodity and the impact on the informal economy is enormous. I was able to confirm this respondent's claim during the field study. The Municipal Assembly even accepted that the Internet is becoming a common commodity in Koforidua. 'We have broadband service for the Assembly and all staff have access but usage depends on staff's IT knowledge', the Municipal Planning Officer contended. He further stated that there are a few Internet cafés in towns, which do attract customers, especially from the student population. Although the cost may be high the public want to experience the new technologies.

It is believed that some of the self-employed graduates are engaged in this segment of the informal economy. This is consistent with claims in the literature that the informal economy in Ghana has become the final destination for school leavers (Palmer, 2007). Koforidua, as one of the regional capitals, is well served with schools. It has six public and five private SHS, making a total of 11, and one private University (NJMA Development Plan, 2006). Some of these graduates even start up a temporary small business in the informal economy while waiting for their results. A case in point is a 19-year-old SHS graduate who sells mobile phones and accessories. When asked why he was conducting this business he said, 'I have just completed my secondary education and am waiting for my results but because I'm not getting as much money from my parents as I was in school I decided to do this to earn a decent living. I may continue my education, depending on my results'. Indeed, continuation of one's education beyond secondary level is hugely dependent on results. Some of these students remain permanently in the informal economy as informal workers as their exams results may not qualify them for post secondary school admission. Without a doubt, there is a physical manifestation of the growth of the informal economy in Koforidua in terms of numbers of people engaged in it and this may be the case in other major cities and towns in Ghana.

However, it is important for this study to highlight certain issues so that they may attract the policy attention they deserve. This growth has resulted in various urban planning and management problems, especially within the CBD, which has become a concern for the Municipal Assembly. Residential buildings are being converted into

commercial use. The outcome is that rent within the city centre is becoming very expensive, as indicated by respondents in Betoom and Srodea (both semi-affluent areas in this study).

Figure 5.4 Street vendors take over a road in the CBD
Source: field data 2009

Figure 5.4 shows the intensity of informal work in the CBD. This is the area of the CBD where they sell used clothing locally known as "Foos" or "Obroniwaawu", which literally translates as "clothes of dead white person", and there is intense hawking, as is portrayed in the figure. This is a major sub-sector within the informal economy in Koforidua. These traders are conducting their business at a main junction on the main Koforidua-Accra road. Nevertheless, sellers and buyers both pay little or no regard to vehicular or pedestrian movement in this area, as can be seen from Figure 5.8. This is a source of concern for the Assembly and the Town and Country Planning Department but little is done to control these traders. The next photograph portrays a similar situation where street vendors have

virtually occupied the carriageway of the main Koforidua-Accra road.

Figure 5.5 A main road partly covered by informal activity (street vendors)
Source: filed, 2009

Figure 5.5 also shows some evidence that informal workers, especially street vendors, are in control of the CBD. As indicated by the arrow on the photograph, traders have taken over almost the whole carriageway for their business. The situation becomes critical during the rush hour in the evenings. The arrow shows the major road sign, which is a clear indication of what is actually happening in Koforidua. This is not just a minor road and this scene is not a one-off, as the figure represents a typical day in the life of the informal workers. It is happening every day throughout the week. It is less busy on Sundays as most people attend church on that day.

In the midst of this growth the question is, 'are the informal workers marginalised?' It has been argued throughout this study that the meaning of marginalisation is not "a

given" or "fixed". Different people may have different interpretations that may be logical in their own right. It is therefore difficult to accept or reject the marginality thesis. Nevertheless, the emerging view of this research is that there are two issues involved in the explanation of marginality. On one hand, in terms of the number of people who engage in the informal economy (the size), it is by no means a marginal activity. It would be absurd to regard over 90% informal workers as marginal. On the other hand, only a handful of informal workers earn income equal to or greater than that of their formal counterparts. This therefore makes the informal economy contribution to the GDP marginal. This is consistent with the literature finding that informal is a low-income activity, especially in developing countries (see, Hart, 1973; Chen et al., 2002, Chen et al., 2004; ILO, 2002).

Empirical evidence from Koforidua also suggests that the majority (72%) of the informal workers, whose activities range from street vending to garbage collection, on average earn between GH¢200 – GH¢600 per annum as compared to only 35% of formal workers. From these statistics it can be said that these very numerous informal workers are marginalised in terms of income and thus their activity merely provides them with a livelihood on a survival basis. At the national level, the informal economy contributes less to the GDP than the formal economy. According to the Ghana Statistical Service (GSS, 2003), the contribution of the informal economy was 40%, which therefore suggested that 60% came from the formal economy. If the respondents in this study are used to represent the whole country, then the contribution of the 90%+ informal workers to GDP is 40%, leaving only the 10% made up of formal workers to contribute the remaining 60%. As a consequence, there is little or no argument about the informal economy being a marginal activity. Having, said this, it may well be argued that income alone might not be a good measure of the wealth of people. This dilemma creates opportunities for future research. As acknowledged by Baah (2007), it is predicted that the informalisation of employment will continue for the foreseeable future owing to the spread of neo-liberal globalisation which encourages casualisation and informalisation of jobs. In Ghana this is apparently due to the labour market flexibility and the lack of employment regulation in the informal economy. This marginality thesis is grounded in both the dualist and structuralist theorisations of the relationship between formal and informal economy. However, it is therefore argued that the

so-called marginalised informal workers are not separate from the formal economy but are inextricably interrelated, contrary to the dualist contention.

5.6.3 Evaluating the informal economy in Ghana

Throughout the literature review, researchers in this area were found to believe that there is no standard definition to describe the informal economy in any location. In the same vein, this study of Ghana is therefore not proposing a standardised definition of the informal economy. There is evidence to support the contention of this thesis that the informal economy in Ghana is also characterised by "unregistered", "unorganised", "unregulated", and involves "non-payment of a fair tax and/or social security" to a large extent, as uncovered by previous researchers in the past.

Although these adjectives may apply to informal activities, some of them are highly debatable in the context of Ghana. Throughout this study a phenomenon has emerged which challenges the consensus reached in terms of defining the informal economy using the adjectives above. The findings of this study suggest that informal economy activities may be registered, unregistered, organised, regulated and above all involve the payment of tax. In Ghana, most informal workers pay a flat/fixed tax across the informal economy landscape regardless of their income. As discovered from the study, this informal tax is often levied on the activity and maybe not the operator. For example, the VIT is charged on the vehicle and not the driver and/or his mate. Similarly, the TS is levied on the kiosk, container or the business premises. Evidence from the Internal Revenue Service also suggested that the tax does not extend to informal employees employed by someone self-employed. That is, the self-employed only pay the flat tax, which may be based on the size of the business and not the income the business generates. Recently the Social Security and National Insurance Trust (SSNIT) in Ghana has created a unit within its structure to deal with financing informal businesses. As part of this role of the SNNIT, informal workers are now being encouraged to contribute to social security. The caution here is that there is no official position on this as yet and informal workers are not obliged to accept this laudable idea if they think otherwise. For example, the self-employed with employees cannot deduct

money from workers' wages towards the social security contribution, notwithstanding how much the employer may contribute for the employee.

Available empirical evidence from Koforidua is that informal workers, such as owners of enterprises, do pay tax and this is not peculiar to the study area but is relevant across the country. The difference between this and tax paid by the formal workers is that the informal tax is "arbitrarily" determined and does not depend on one's income, though there are some criteria. Again, some of the informal enterprises are registered, but most of the registration is with the Assembly or the NBSSI and only a handful are registered with the Registrar General's office. Workers' groups such as the GPRTU, Ghana Traders Association (GTA), Ghana Association of Women Entrepreneurs (GAWE), are organised and have their own political economy (ILO, 2002b). These organised informal participants tend to build some sort of 'shield' around themselves. In particular, they sometimes regulate entry into such enterprises, even though there is no state regulation of such activity.

5.7 Perceived problems of informal economy in Ghana: Institutional perspective

The informal economy in Ghana, like any other informal economy in both developed and developing countries has certain problems to deal with. The informal economy over the years has been associated with a new narrative, as it is more difficult to explain the continued expansion and growth of the informal economy. In Ghana, the continual expansion of the informal economy is a source of concern for many, including the government, politicians, planners and other professionals. The literature suggests that there is a link between working informally and being poor (Carr & Chen, 2001). This belief may well be associated with developing countries: where the majority of the informal economy players are considered as poor. It is also posited that incomes in the informal economy are low in developing countries, especially in Sub Saharan Africa, thereby widening the income inequality gap. As more and more people move into the informal economy the fear is that the proportion of the population becoming poor may increase. The ILO (2002b) argues that the relationship between working in the informal economy and being poor or working in the formal sector and avoiding poverty is a very diverse and contentious issue.

As acknowledged by Carr & Chen (2001), the relationship between working in the informal economy and being poor is commonly associated with women rather than men.

In the view of the policy makers in Koforidua, the problems of the informal economy are many, but some are more prominent than others. Some of the key problems identified are discussed below. Why are these problems relevant to policy formation? After all, they are not new. Though these are not "new" problems, they seldom surface on the policy agenda and therefore making them known again is an important step towards according them more attention and hopefully achieving the needed acknowledgment in the discourse on public policy regarding the informal economy.

5.7.1 Unorganised and unregistered

The first major problem identified by the institutions in Koforidua is the unorganised and unregistered nature of most informal activities. This includes all those operating as self-employed and private enterprises without formal regulation. On the surface this may not seem to be a problem; after all the informal economy is by definition unorganised and unregistered. However, the unorganised nature of the informal economy has given rise to a number of issues. In terms of urban planning, the city planners' concern is how to incorporate the locations of informal activities into the mainstream land use planning so that the optimum use of the land is achieved, thereby ensuring harmonious spatial interaction and uninterrupted movement of people and vehicles. Going down the normative planning routes creates more problems for the city planners. The planners believe that there is a place for everything and everything in its place and therefore informal operatives cannot locate their activity in any land or space they perceive to be vacant.

The main informal economy operators to fall victim in this sense are the garage operators, locally called "magazine"; they normally locate their businesses along the roads to make their services more accessible to motorists. In the same vein the kiosks of dressmakers, hairdressers and the like are dotted along main and minor roads within the municipality. In most cases they contravene the planning regulations with impunity. Another outcome of the unorganised nature of informal economy has to do with revenue

mobilisation for the Assembly. It is believed that the majority of the informal economy operators in Koforidua are in the commerce/service sub-sector and it is dominated by hawkers and street vendors. These people may or may not have a permanent location for their activity. Some even deliberately switch locations to avoid harassment by the Assembly officials or to evade tax. This makes it difficult if not impossible for the revenue collectors to collect money from them. If they are not registered, it is difficult to track them down. With a system alleged to be infested with bribery and corruption, this creates an opportunity for the revenue collectors to enrich themselves at the expense of the Assembly. What makes the situation worse is that the informal economy participants rarely keep records of their activity, let alone keeping receipts of tax paid. This creates problems whenever there is a dispute over non-payment of fees/tax. Employees are also at the mercy of their employers because there is little or no regulation to protect the rights of the employees. In terms of tax, the VIT and TS make it easier to ascertain who has paid or not because stickers are clearly displayed on the vehicle and the business respectively. Problems may arise from disputes over licensing fees and other monies paid to the Assembly when people lose their receipts.

5.7.2 Difficulties in monitoring informal workers

Another major problem confronting the informal economy in the eyes of the policy makers is that it is difficult to monitor most of the informal activities due to lack of permanent location of the activity. It is not only the policy makers who hold this view. It was observed during the field study that some informal workers, especially street vendors, change locations to avoid paying tax. In practice some of the informal workers are like nomads; they move from place to place trying to avoid the constant monitoring by the authorities. Difficulties in monitoring the informal entrepreneurs are affecting the new formalisation policy of the government. This also affects the Assembly's attempts to deal with the informal economy. For example, programmes organised by the Assembly with the aim of making the informal economy viable are attended by few entrepreneurs, making it complex for the Assembly to implement the needed changes in the informal economy. Again, what

compounds the monitoring problem is the unwillingness of informal entrepreneurs to register their enterprises for fear of paying more tax and perhaps social security. When people and enterprises are registered, the Assembly will at least have the names and locations of their activity and this will potentially provide the monitoring team with a database. It may also reduce, if not totally eliminate, the perceived corruption, particularly within the revenue collection system.

5.7.3 Uncooperative attitudes among informal workers

In the literature which attempts to define informal economy, researchers contend that informal economic activity is not registered for the purposes of paying tax and/or social security (see, Castells & Porte, 1989; Chen et al., 2004; Williams & Windebank, 1998). It has to be said that in Ghana there is a difference between registering a business and paying tax, especially in the informal economy. Although not all enterprises or entrepreneurs in the informal economy in Ghana are registered for purposes of paying tax and/or social security in an official sense, almost all informal operators pay tax/fees/licences/levies. This has been discussed extensively in the early sections of the analysis. In Koforidua, informal economy participants, especially those in the commercial/service sectors, form the bulk of the registered group. The revenue department of the Assembly at specified times visits these enterprise and entrepreneurs for the collection of market tolls and fees/licences/levies. In some cases it makes little economic sense to recruit revenue collectors, as the transaction cost (cost of collecting the revenue) may be more than the revenue accruing as a result, according to a claim by officials interviewed at the Assembly.

The main problem identified here is the uncooperative attitude of the potential fixed tax/fee/licence/levy payers. Since the informal economy is regarded as the arena where people are not used to paying tax, fundamentally it makes collecting tax a more difficult and time consuming exercise. What makes the situation more critical is that informal workers were unable to differentiate between tax and daily market tolls: a view shared by the Head of SMEs at the Assembly and also some respondents. The tax (Tax Stamp or VIT) is collected by the Internal Revenue Service on behalf of the government for the

consolidated fund (national fund which is later disbursed to the Assembly in the name of District Assembly Common Fund) and the revenue collectors of the Assembly collect the fees/licences/levies/market tolls and others on behalf of the Assembly. In most cases informal workers do not know "who is who" and this creates further problems in terms of cooperation. In certain circumstances defaulters' wares are seized and at worst, as claimed by some respondents, the Assembly locks up the business premises. The seized goods are returned to the owners and stores unlocked upon the settlement of their fixed tax/fee/licence/levy obligation. Occasionally a fine is added to the amount of tax/fees/licences/levies for recalcitrant informal workers. As the head of the SME department puts it, 'we have to chase them all the time and some even end up in the law courts'. The informal operator naturally wants to hide from the state authorities for fear of paying tax and social security. During my data collection I witnessed some of these situations where traders were running away and others locking up their shops upon a hint that the revenue officials were coming. The reason is that the Tax Stamp is supposed to be displayed in front of the shop/store for easy identification so that those who have not paid are easily identified. The economic cost of such incidents is huge for both the Assembly and the traders involved. These traders are out there mainly to earn a living and if they are unable to do so even for just a day then a whole household may go hungry that day or longer. The social cost could include poor health and social vices, which may have serious consequences on the local economy in the short term and even in the long term.

My observation is that people may not be fully aware of the benefits of paying tax/fees/licences/levies. There is a belief that some of the revenue collectors have their own receipt books, which are identical to that of the Assembly, and thus the revenue actually charged by the Assembly is always less. The system is alleged to be corrupt and therefore there is a possibility that revenue collectors may embark on inappropriate acts during the revenue collection. People are reluctant to honour their fiscal obligations partly due to their lack of education in terms of what such payments can achieve for them. There is therefore the need to intensify education on civil responsibility and how tax revenues are used to develop the community. As a result, most of the members of the community might come to understand the need to pay tax and other civic responsibilities.

5.8 Chapter summary

This chapter has argued that informal work in Ghana provides the main employment for the majority of the population. It also examined the types of informal work in Koforidua. It has discussed actual case studies of some selected respondents in Koforidua to shine a light on the complex motives of informal workers for engaging in the informal economy. It was examined how motives of informal workers differ from person to person and even by location of activities. Though some of the motives are consistent with the literature, it was established, significantly, that two of the most common motives of informal workers in Koforidua are the low level of education and the inability of the formal economy to cope with the growing numbers of potential workers. The majority of the respondents claim that low level of education is the main reason for doing informal work. This is a key finding and may be important for government policy on the informal economy in terms of skills training and development. There is a recognition that the informal economy is growing at an alarming rate in Koforidua, like elsewhere in Ghana, in terms of participation rate. The current growth may be attributed to the emergence of ICT, especially in the mobile phone business. It is therefore essential that public policy is formulated to address the inherent problems of the informal economy in order to make it more viable. Again, it was outlined in section 5.2.4 that there is a strong link between gender and informal work. Some of the issues discussed here constitute input for the next chapter in which the main theories for this study are evaluated against evidence from the Koforidua.

CHAPTER SIX

EVALUATING THE FOUR MAIN THEORIES OF THE INFORMAL ECONOMY IN GHANA

6.0 Introduction

In the previous chapter, the background of the study area, the socio-demographic characteristics of the informal workers surveyed and the types of informal work they undertake were amongst the issues discussed. The current chapter presents a theoretical evaluation of the relationship between the formal and informal economy using empirical evidence from the sampled households and policy makers in Koforidua. It evaluates critically, in the context of Ghana, the relevance and the interrelationship of the four theories underlying informal work. Accordingly, each of the perspectives is evaluated in turn, with reference to the lived experiences reported from Koforidua in Ghana. It is also the intention in this chapter to highlight the extent to which these perceptions influence policy making. The purpose of the policy makers' survey, in consequence, was two-fold. The first goal was to identify the values and attitudes of policy makers in Ghana towards the informal economy. The second purpose was to consider how these perceptions have swayed the policy approach adopted in Ghana and specifically in the study area. In total three major institutions were selected and, as already stated in the methodology section, four key informants or representatives were interviewed, namely the Municipal Planning Officer and the Head of the Small and Medium Enterprises (SMEs) Department from the New Juaben Municipal Assembly, the Regional Manager for the National Board for Small Scale Industries (NBSSI) and the Regional Statistician at the Regional Office of the Ghana Statistical Services Department. For the purposes of data protection, and also in honour of the agreement (social contract) reached before the interview, names of these key informants are not reported in this thesis.

The nature of the informal economy has necessitated the development of various theoretical perspectives to describe it (Chen et al., 2004; Debrah, 2007; Leonard, 2000; Potts, 2008; Skinner, 2002; Williams & Round, 2007a, 2008b; Willman-Navarro, 2008). Different theorisations of the informal economy view informal workers in different ways. Legalists, for example, largely depict informal workers as own-account or self-

employed workers. Structuralists view them as marginalised waged workers (paid informal work) and dualists view them as marginalised populations, excluded from the formal economy, who eke out a livelihood in the informal economy as a last resort. In what is to follow, an evaluation of the survey data drawn from the study is undertaken in order to evaluate these contrasting theorisations. This is important because in developing economies such as Ghana, evaluation of theoretical perspectives has seldom been undertaken. It is here that this thesis seeks to uncover the nature of the relationship between informal and formal work in Ghana. As was also stated in the methodology, some of the responses were coded specifically to evaluate particular theories.

6.1 Evaluating the dualist view in Ghana

Proponents of this theory claim that there is a "big" formal economy which is perceived to be expanding through industrialisation or modernisation, and a separate small (traditional/outmoded) informal economy, made up of diverse activities conducted by marginalised populations, that it is believed will disappear over time. It may also be argued that the dualist view is the oldest theorisation of the relationship between formal and informal economy. This whole idea of dualism is deeply rooted in the works of Furnivall (1939; 1941), Boeke (1942; 1961) and Lewis (1954). Historically, the informal economy in Ghana, as already emphasised, was in existence before the colonisation of the country (Ninsin, 1991) in around the 14th Century. Even before the colonial masters introduced what came to be known as the "silent trade" in Ghana – where goods were exchanged for goods in a non-verbal communicative way, informal work was in existence. Since the informal economy gained a place in the development discourse after its recognition in the early 1970s (Hart, 1973), experts, academics and others have begun to theorise the relationship between the formal and informal economy based on the evidence available at the time.

The dualist theoretical perspective hinges on the view that there are two distinct economies (i.e. informal and formal) where the informal economy is read as having negative attributes (depicted as traditional, backward and so forth) and the formal economy

as having positive attributes and portrayed as representing progress, modernity, etc (Chen et al., 2004; Potts, 2008; Williams, 2007). Another important assumption is that the informal economy will disappear from the economic landscape as nations attain certain levels of economic development (Hart, 1973; ILO, 1972; Lewis, 1954; Sethuraman, 1976; Tokman, 1978; Chen et al., 2004; Williams, 2006, 2007). This is, therefore, portrayed to be a universal and linear trajectory of economic development towards formalisation that all nations must follow. The rest of the main assumptions are summarised in table 6.4 at the end of this chapter.

In Ghana, government rhetoric regarding the informal economy is commonly grounded in this dualist perspective. In spite of the large size of the informal economy in Ghana, little has been done in terms of evaluating the relationship between formal and informal economies in Ghana or drawing on the main theories to depict any such relationship. The informal economy in Ghana, as indicated earlier, had its beginnings before the advent of colonial capitalism in the then Gold Coast era (Ninsin, 1991). According to The Statesman (2007), on the one hand, Ghana had a small formal sector covering essentially capital investment in mining, transportation, infrastructure, commerce, social services and administration, with waged employment characterising the existence and operations of labour therein. This is the formal sector which was created by the colonial powers at the time. On the other hand, the promotion of the production of primary commodities for export and the import of consumer goods for domestic trade gave rise to large contingents of the labour force in both agriculture and petty trading who were either self-employed or hired under traditional or informal arrangements. This kind of perception continued to independence and beyond. The belief was that informal work would transform into a modern capitalist economy as the country began to transform and industrialise. It is in the light of this belief that after independence Nkrumah (first President) opted for industrialisation to transform the then mainly informal sector into a formal sector. However, it is disappointing to know that some of these industries did not get beyond the construction stage. Even today, some of these white elephant projects are evident in Tema (the only industrial city built by Nkrumah in Ghana as part of his industrialisation dream).

The informal economy is now seen as the mainstream economy of Ghana, as the formalisation process has failed to take hold. In the past, successive

governments have tried to pursue formalisation by establishing more state-owned enterprises. Nkrumah's policies, aimed at mass job creation by rapid industrialisation, led him towards distinct views concerning employment and informal micro and small enterprise (IMSEs) development at the dawn of independence (Palmer, 2007a). Nkrumah saw subsistence farming as backward, and instead supported mechanised agriculture on state farms (Palmer, 2007b). These state farms (plantations) specialised in the production of mainly cash crops and raw materials for export, to the neglect of the informal sector. The formalisation view dominated Nkrumah's thinking at the time and encouraged the thinking that any component of the economy that was not aimed at industrialisation was peripheral and not concerned with the national, or state-led, economy (Palmer, 2007a).

Notwithstanding Nkrumah's concerns about economic development through industrialisation (formalisation), it has become clear that the informal work has been the most widespread form of work for the people of Ghana both before and after independence. Years of intensive formalisation policy could not transform the informal economy into the formal economy. With time, the formalisation rather promoted informalisation. The reason that may be assigned to this is that almost all of these state enterprises (formal) have been sold off through privatisation policies or public sector reforms since the late 1980s and 1990s. Privatisation or public sector reforms were some of the neo-liberal terms and conditions attached to the acceptance of the adjustment programmes required by external forces (i.e. IMF/World Bank) in the 1980s and '90s. The outcome is that most formal workers have become unemployed through voluntary or compulsory redundancy and have taken solace in the informal economy. As a result, the informal economy has expanded. This has been the trend nationwide and the informal economy continues to grow briskly (Osei et al., 1993; Sowa et al., 1992).

In both the households' and the policy makers' interviews, the interviewees expressed different views about the nature of informal economy in Koforidua. There were various views expressed on whether the informal economy will disappear as the country achieves some level of development (formalisation). It is clear that the informal economy in Ghana has not disappeared, nor is it going to disappear in future, as the dualist would portray. Rather, there has been a massive growth of the informal economy across the economic landscape of Ghana (see Figures, 5.7; 5.8; 5.9 in Chapter Five for

evidence in Koforidua). In view of this the informal economy should not be seen as an emerging form of work but something that has been in existence for a considerable length of time, since well before the European colonisation of Ghana. According to this study, both the households and the policymakers believe that the percentage of people conducting informal work in Koforidua is around 90%. This finding is consistent with previous studies in Ghana (see Haan, 2006; Debrah, 2007; Palmer, 2007, ILO, 2007). Despite the fact that the march towards formalisation is ongoing, as evidenced by government employment and economic policies at all levels, the growth of the informal economy is unstoppable. As part of the government's effort to achieve decent work, which is at the heart of formalisation, the Informal Economy Committee (IEC) was inaugurated in 2009 (Thompson, 2009).

In this section an analysis of the opinion of respondents about the informal economy in Koforidua is undertaken. Out of the total sample of households, 61% said that the informal economy in this area has come to stay and it will continue to grow even bigger. The views of the remaining 39% comprise the following: the informal economy will disappear (4%); may disappear (4%); toward formalisation (17%) and 14% don't know. These opinions are displayed in Figure 6.1.

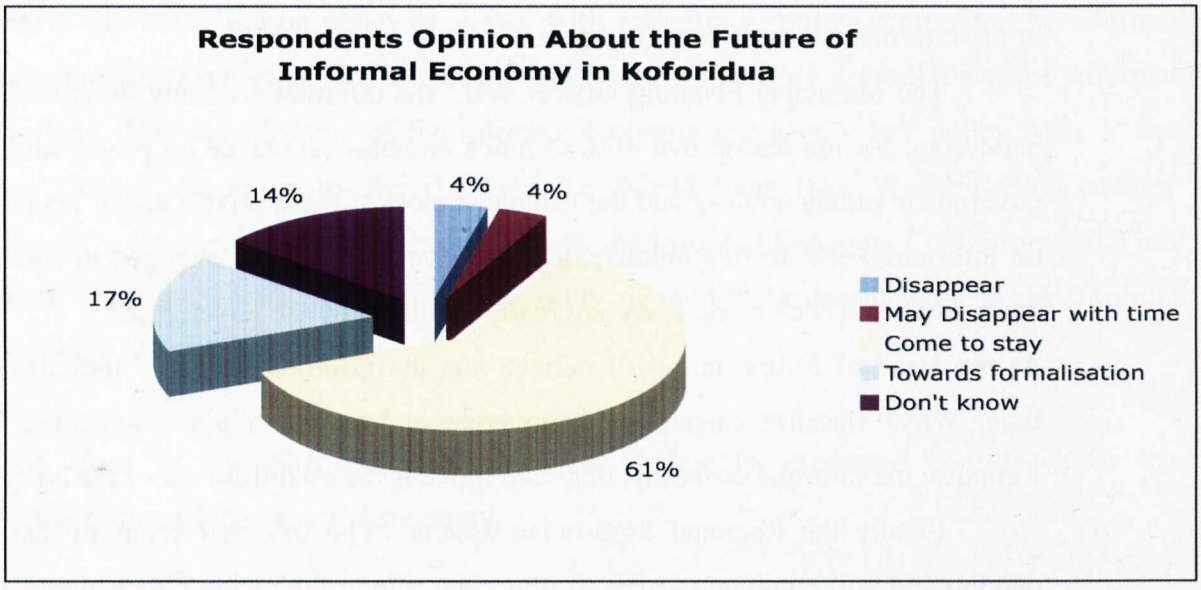

Figure 6.1 Respondents' opinion about the future of informal economy in Koforidua
Source: field data 2007

The reality is that, no matter how hard the state authorities try, informality remains the

norm: simply because it is not possible to replace the informal with the formal economy. The concept of elimination by substitution does not hold true here. The way forward is cooperation and not substitution.

6.1.1 Policy Makers and the dualist perspective

During the interviews with the policy makers many displayed or expressed some of the core tenets of the dualist perspective, particularly with regard to the notion that formalisation was a natural and inevitable process and also that it is the path to progress. Their responses on being asked about their 'view with reference to the nature of the informal economy in the eastern Region' are summarised below.

According to the Regional Manager of the NBSSI 'the majority of businesses are in the informal sector of the economy. There are just a handful of businesses which are in the formal sector so it will take a very long time for the informal economy to graduate into the formal economy. Most of them are not registered, do not have bank accounts, do not keep records of the transactions and have many operational problems'. In her view formalisation of the informal economy may be a dream.

The Municipal Planning Officer said, 'the informal economy disappearing! I don't believe so: for the reason that now so much emphasis is placed on privatisation, which is government policy anyway and the trouble is most of these private sector operators tend to do informal work. In this municipality we have more people engaged in commerce than other areas, and such workers are not really regulated by the government'.

As the Head of SMEs puts it, 'I believe that the informal economy may disappear with time. Why? Because currently the government has put in place some mechanisms to formalise the informal economy; one such move is the establishment of the NBSSI'.

Finally the Regional Statistician asserts, 'The informal economy has played, is playing and will continue to play an important role in the nation's development effort and will not be transformed into part of the formal economy'.

From these responses it is clear that some policy makers still believe that the informal economy will inevitably disappear from the economic landscape of Ghana

because of the government's policy of formalising the informal economy, a view supported by the ILO (ILO, 2007). Many consider that one of the main reasons why the NBSSI was established was to fulfil the formalisation dream. But the question is whether formalisation has been achieved in any economy. The answer is that formalisation of the informal economy has not even been a success in advanced economies, as attested to by the enormous amount of literature in this area of research (see, Williams and Windebank, 1998; Williams, 2006).

Analysing further the policy makers' perspective, it is clear that there are divergent views about the formalisation of the informal economy as a government policy. Some are unable to envisage how formalisation of the informal economy can possibly be achieved. The view of the municipal planning officer reinforces this position. As he proclaims, 'once it is an informal economy, it will remain an informal economy'. However, he suggested that any attempt to formalise the informal economy must involve education to raise awareness of the need to pay proper tax and social security; but this will largely depend on the profitability of the businesses. If people, through education, come to accept the need to formalise their activities then there may be some hope for formalisation. This, therefore, leaves the formalisation policy in limbo, with government policy promoting the informal economy in disguise in the sense that government has little control over the informal workers. The formalisation of the informal economy has been a key policy issue of the government, supported by the ILO and the World Bank (see, World Bank's country director's comment in Chapter One). Recently the Informal Economy Committee (IEC) has been established, with the main responsibility of promoting decent work in the informal economy (Thompson, 2009).

The Head of the SMEs at the Municipal Assembly expressed confidence in the formalisation of the informal economy,

> 'Yes, the Assembly together with some experts in the field of entrepreneurship are planning to prepare a business plan for the whole municipality and this will be a guide for the zonal councils to streamline the way business is conducted in the informal sector within their localities. By so doing the Assembly will be able to register these entrepreneurs and with time formalise the way they operate. This will even offer the Assembly an opportunity to get more revenue from

the businesses. This idea is in line with the government policy of trying to formalise the informal economy to achieve the decent work objective'.

Another opposing view, however, is that the informal economy will not disappear (formalisation will not happen), because the same government is putting emphasis on the private sector as the engine of growth, and given that the majority of the private sector players are in the informal economy, the intimation is that the informal sphere is likely to persist. Indeed, some view this as causing a policy conflict in the sense that the government is not practising what it preaches. Due to this realisation that the informal will not disappear, the ILO has stated emphatically that the informal economy has come to stay and it is not a temporary phenomenon (ILO, 2002). Although, the informal economy is still seen in some quarters as having negative attributes, its growth has become part and parcel of the current mode of producing goods and services (Williams & Round, 2008) in Ghana. The empirical evidence also suggests that the growth of the informal economy in Koforidua has resulted from many historical factors, such as the implementation of the adjustment programmes which brought about deregulation of the economy, trade liberalisation and globalisation, and the educational reforms which led to more school leavers taking up informal work voluntarily or being attracted by government policy such as youth in agriculture.

In spite of the policy makers' position on formalisation, they believe that the two economies (formal & informal) are not necessarily distinct from each other and the relationship between them is far from that portrayed by the dualist. Rather, the two economies interact at all levels within the national economy. Again, there was consensus about the permanent nature of the informal economy as the mainstream economy in Ghana among all the policy makers interviewed. However, the major concern for the Municipal Assembly is the unorganised nature of the broader aspects of the informal economy because of the associated urban planning and management problems and also the potential reduction of revenue to the Assembly. The Assembly has been organising training workshops for the informal actors so that they can move them towards the decent job end of the continuum, thereby preparing them for formalisation. As noted earlier, the key underlying factor for the dualist is the formalisation of the informal economy (see, Table 6.4 at the end of this chapter). It is, as the policy makers reiterated, government policy to

encourage more people to go into the private sector; but little is being done to assist people in adhering to the formal way(s) of doing business and thereby making formalisation a reality. In recent years the government of Ghana has continued its rhetoric about formalising the informal economy but few or no measures have been put in place to kick-start the policy by ensuring that new entrants into the private sector are registered properly and their activities thus formalised.

A number of the policy makers and other commentators are also of the view that a section of the informal entrepreneurs must go into manufacturing as a way of making the informal economy more diverse and thereby "better able" to contribute to the economic development of the country. According to Thompson (2009), Ghana has moved backwards over the years in terms of manufacturing, as the share of manufacturing has, for example, declined from a historical 14% of GDP in 1975 to as low as 8% in 2009. The lack of manufacturing activities might be attributable to globalisation and liberalisation, which make life easier for local importers than exporters. Imported goods are often cheaper than the locally manufactured goods. This may be due to low import tariffs, relaxation of other trade restriction tools and the high unit cost of production within the local economy which can be linked to lack of economics of scale and scope. Aside from this, it is believed that Ghanaians have developed a taste for foreign goods to the detriment of the "made in Ghana goods" as they are popularly called. However, the economy of Ghana over the years has been supported by the export of a few commodities like cocoa and gold and this is still the case today. As reported by the Ghana Statistical Service in its revised GDP estimates for 2008, the agricultural sector contributed 33.59% of the GDP, with 5.1% growth (GSS, 2009). There has been a gradual shift from an export-based economy to a buying and selling economy. The trouble is that whilst the so-called buying and selling takes place mostly in the informal economy, the informal economy's contribution to the GDP is not substantial (GSS, 2002). It is not being suggested here that Ghana cannot diversify to export services. The crux of the issue is that Ghana does not have the ability to export services that can generate the needed foreign exchange to sustain the economy.

It is interesting to note that many informal workers in this area prefer buying and selling to manufacturing. The reason may be partly due to the initial capital outlay for embarking on a manufacturing activity as against buying and selling. One major

observation is that people hardly ever invest in new areas without the incentive of examples of previous success, a view which was shared by the policy makers. Generally, most Ghanaians are risk averse in terms of exploring untested business territories. Buying and selling is one of the areas where the initial capital required to start a business is not huge. It is also the area where prospective informal workers can find success stories and role models. Aside from the risk averse nature of most informal workers in Ghana, the commerce sub-sector is also the area in which people can make money most quickly. Most people also lack the basic entrepreneurial skills needed to go into other areas, meaning that the Assembly must help to identify people with potential and provide suitable training to enable them to become more useful to the local economy.

Whether the formalisation objective is achieved or not, the reality about the informal economy is that it is growing and spreading across every space and it is the normal practice and not the exception. Government policy should address the ills of the informal economy to make it more vibrant and a major contributor to the economy. If the necessary attention is paid to the informal economy in terms of policy, it may help in re-ordering the equation and thereby allowing the informal economy to be positively read and not seen as a hindrance to economic development and social cohesion of the country.

6.1.2 Assessing the marginality thesis in Ghana's context

One of the main objectives of this study is to evaluate critically the marginality thesis that is associated with the informal workers. This section concentrates on such an assessment. Among the key assumptions of the dualists is the belief that the informal economy is composed of marginalised population who failed to obtain jobs in the formal economy. This has resulted in what Williams (2006, 2007) describes as the "marginality thesis". This is displayed in Table 6.4 of this chapter. However, as discussed earlier, in western economies, this marginality thesis has come under intense scrutiny and the result has been the rejection of the marginality view (see Barthe, 1988; Cornuel & Duriez, 1985; Foudi et al., 1982; Tievant, 1982),(Glatzer & Berger, 1988; Hellberger & Schwarze, 1986) and in Britain (Howe, 1990; L. Morris, 1994; Pahl, 1984; Warde, 1990; Williams, 2004a, 2004b-

b). Indeed, in the Ghanaian context it is extremely difficult to relegate the marginality view entirely to the background in terms of working conditions of the informal workers, their output and income. The justification for this view is not far fetched. It can be argued that the majority of the informal economy participants belong to the marginal cohort of the economic active population pyramid by using income as a major factor or indicator.

Although the informal economy is the mainstream economy in Ghana, estimated to be employing over 90% of the potential working population, it is still marginal in terms of other characteristics such as income, output, and physical wellbeing of workers, among others. Empirical evidence from Koforidua confirms to some extent the validity of the marginality thesis in terms of the factors aforementioned. The conditions under which some informal workers go about their daily activities are often appalling and even hazardous. When informal operators were asked to give reasons for operating in the informal economy some of their responses reflected the marginality view. Household respondents were asked to choose one from a list of reasons for doing informal work and the results are presented in Figure 6.2 below.

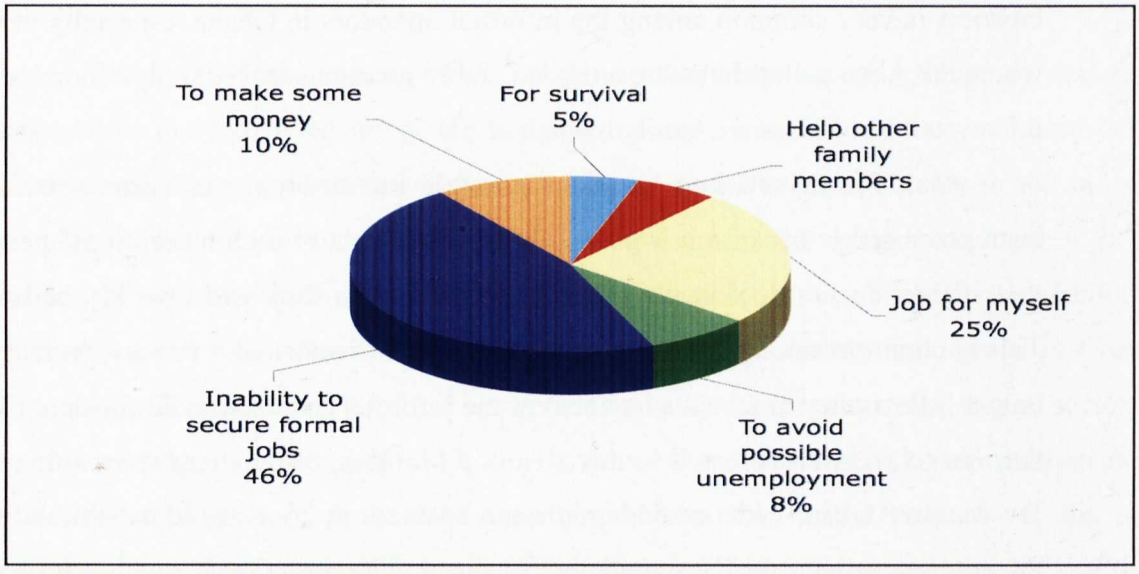

Figure 6.2 Households' reasons for doing informal work

Source: field data, 2007

For survival: A small number of the sampled population (5%) assert that they participate in the informal economy simply for survival reasons though their other reasons may have a survival element embedded in them. For this group, the informal economy has become their lifeline and the only source for their "daily bread". As a 35-year-old mother of four, working as a vegetable seller, remarked in a local language, 'sɛ yɛnhyia anka yɛwu dedaada', which literally means 'had it not been for informal work they all would have been dead by now'. She continued by saying that 'our family depends on this petty trading on the street for continued existence. Although what I'm getting from this activity is not much, it is far better than doing nothing. My husband also works in the informal economy and it's better than staying at home all the time'.

Helping other family members: This crop of informal operators have set up these businesses so that their family members, who are unable to secure employment elsewhere, will have a job and be able to fend for themselves. A respondent (a middle aged woman) who was a "chop bar" operator, said that 'the success or failure of this business rests on the family workers. We have established this business so that they will have a job, so if we don't all work hard and the business fails, then we shall all fail together'. This kind of business is very common among the informal operators in Ghana, especially in Koforidua, where the Akan cultural kinship attitude is more pronounced. Not only "chop bars" but also other retail businesses are family owned.

Job for myself and to avoid possible unemployment: These two factors have been put together because it is believed that they relate to each other. Some people believe that if they do not do something for themselves then they will possibly be unemployed. This is common among young people working in the informal economy. In fact it can take only a little money to create a business in the informal economy in Koforidua. Even though there is no previous research in this area in Koforidua, respondents were able to say that a few hundred Ghana cedis could land them a business. A 25-year-old male mobile phone top up voucher seller said, 'I started this business with just Gh¢50, which is equivalent to US$40 at this exchange rate of Gh¢1 to US$0.80.' This small initial capital outlay may be partly responsible for the large numbers of informal workers, especially street vendors and hawkers.

Inability to secure a formal job: As indicated earlier, in Ghana most of the formal jobs require a high level of education. Put simply, formal jobs are associated with highly skilled labour and thus people with a low level of education, as claimed by most respondents in this study, may need to do informal work if they really want to work. More than a third of the respondents claim that inability to secure a formal job is responsible for their presence in the informal economy. However, this empirical evidence is not peculiar to this study area but may be the same for most parts of the country. The effect of this is that these people are unable to secure a formal job, whether in the public/civil services or the private sector, and thus they are marginalised. Another reason relating to inability to secure a formal job relates to the type of skills people have acquired. According to one respondent, a 42-year-old married man with 5 children; he is doing informal work because his skills might not be useful in the formal sector. As he puts it, 'I'm a trained tailor and it would be difficult for me to get a formal job with my skills. For me the informal economy is the best place, even formal institutions, such as the police, which used to employ people with other skills outside the formal educational system, have in recent years become highly competitive and, as a result, resort to formal educational qualifications as the main criterion'.

To make some money: This on the surface may appear to suggest that those engaged in the formal economy are not making any money. What it means here is that some people have realised that they can make an awful lot more money in the informal economy than the formal; hence their participation in the informal economy is not influenced by necessity but rather an opportunity to make money. This group of informal operators are the opportunity driven informal workers, as already highlighted in Chapter Five under the motives of informal workers. They may secure jobs in the formal sector but upon analysing the cost/benefit ratio they have come to believe that the informal economy offers better and more promising opportunities than the formal economy if the main objective is to make money. Figure 6.2 illustrates that they only account for 10% of those surveyed. A 36-year-old university graduate, married with two children, who owns a construction firm said:

> 'I can boast that I earn more than my colleagues who chose to go into formal employment. I used to work in the formal sector as a civil engineer for a construction firm but if I compare what I earn from the informal economy today to what I used to earn in the formal economy the difference is clear. Even though times are not the same, comparatively I'm far better off in the informal economy than I was in the formal'.

The above were claims made by the individual households interviewed. Despite the fact that most of these factors appear to confirm that most people who engage in the informal economy are marginalised from the formal economy, the informal economy is their lifeline. Of all the marginalised population, women constitute a greater proportion, as evidenced by empirical data from Koforidua, where women make up 57.5%, most of whom are engaged in the commerce sub-sector (mainly petty commodity trading and street vending) of the informal economy.

A critical evaluation of the dualist view in relation to Ghana revealed that it is still has credence with some people, including development partners. An example is the comment made by the Country Director of the World Bank, Mats Karlson in 2007 in which he categorically stated:

> 'What is left for Ghana to do is to begin to embark on action programmes that would lead to movement of Small and Medium Scale Enterprises (SMEs) from the informal sector to the formal sector in order for there to be more permanent jobs for the youth. That way, both the economic and social dimensions of development would have been properly taken care of and then we can talk of economic development' (http: www.myjoyonline.com/archives/business/200702/2743.asp)

Despite the continued growth of the informal economy, it has not been able to change the ordering of the perception equation. The informal/formal work dichotomy continues to persist. Although the respondents were selected randomly (in that respondents' educational levels were not ascertained before the interviews), it happened to be the case that 49% of all the women informal workers interviewed had hardly any education beyond middle school level. These people have no place in the formal sector (public sector or civil service), which is locally known as "Aban Adwuma" and literally means mainly government work. The outcome is that these women resort to informal economy work as petty traders, local

manufacturers (agro-based), and/or artisans. There is therefore a strong link between level of education and participation in the informal economy in Ghana, as already highlighted in Chapter Five, and this may also be the case in other developing countries.

Many of the people with a low level of education were unable to find formal employment and set up their own micro business in response to the prevailing economic conditions. The issue here is in two-fold; first and foremost there are insufficient formal jobs to cater for the expansion of the workforce, for example, the growing number of university graduates. Secondly, the level of education is also an important factor when it comes to securing a formal job at any level in Ghana. The widespread belief in Ghana, as in other developing countries, is that employers rely heavily on certificates rather than work experience when recruiting formal workers and thus securing formal jobs is positively correlated with level of education. The other aspect of low level of education is related to poverty, which prevents people from furthering their children's education even if the children have the necessary ability and desire. There were some instances where participants explained their lack of further education as due to lack of financial backing from their parents.

In this study area, and reflecting the wider Ghanaian view, formal jobs are more or less synonymous with working for the government (public or civil service), as indicated earlier through the term "Aban Adwuma". Although there are private formal organisations in Ghana, it is very rare for people to refer to private formal enterprises as the formal sector or government work. There has not been any empirical research on this claim but it is seen as one of the "socially constructed realities" of the local context. This research will adopt this narrow view of formal work being equated to public or civil service for analytical purposes, but this does not mean that all other activities are informal work.

In summing up, it can be argued that in Ghana the two economies are not distinct from each other and the relationship between them is not fully captured by the dualist view: because the informal economy is growing and expansive and will not be absorbed by formalisation. It is therefore imperative to refute a dualist view that would dismiss the informal economy in Koforidua as residual or 'leftover' from pre-capitalist modes of production. Generally, the dualist perspective is more applicable for people with low levels of education, especially women who engage in street vending, and it is not

relevant to men or women who perceive the informal economy as an alternative to the formal. Evidence in Chapter Five showed that the informal economy is growing at an alarming rate, while the growth of the formal economy is not noticeable. This has made a mockery of the dualist view that the formal economy will swallow the informal economy over time as development takes place. Relating this to the dualist views on the formalisation of the informal economy, it can be said that formalisation has failed. Over time the informal economy, made up of heterogeneous activities, has overshadowed the formal economy in Ghana. The evidence also calls for the rejection of a dualist conceptualisation of the relationship between the formal and informal economy and gradual replacement of the informal by the formal economy, with no interdependency between the two (Potts, 2008). It must be said that there is clearly a relationship between the formal and informal economy in Ghana at all levels.

6.2 Evaluating the structuralist perspective in Ghana

In the previous section, the dualist viewpoint of the relationship between formal and informal economy was evaluated. It was argued that the dualist theorisation be rejected as the informal economy is not separate from the formal economy and also because formalisation has not occurred in any way in Ghana. Following on from examination of the dualist perspective, this section evaluates the structuralist theorisation of the relationship between formal and informal economy in Ghana. The structuralist perspective, unlike the dualist, maintains that a relationship exists between the formal and informal economy but that the informal economy is a subordinate or offshoot of the formal economy.

This perspective recognises the persistent growth of the informal economy and represents a view about informal economy that was prominent in the 1970s and 1980s. The underlying assumption is that the informal economy is composed of small economic units, (Chen et al., 2004) and workers who serve to reduce input and labour costs (see, table 6.4 for key assumptions). In distinguishing this view from the dualist depiction, Chen (2005) argues that structuralists see the informal and formal economies as intrinsically linked. That is, they are mutually inclusive and beneficial with different levels of association with each

other. To enhance competitiveness, some capitalist firms in the formal economy are perceived to reduce their input costs, including labour costs, by encouraging informal production and employment relationships on the basis of subordinated economic units and workers (Chen et al., 2004; Williams & Round, 2008). According to structuralists, both informal enterprises and informal wageworkers are subordinated to the interests of capitalist development and the provision of cheap goods and services (Moser, 1978; Portes et al., 1989).

One of the prime costs of structural adjustment in Ghana since the mid-1980s has been the dwindling formal sector and a corresponding growth and expansion of the informal economy. This has come about as a result of public sector reform, of which massive cutbacks of labour were an important element (Adu-Amankwah, 1999). As indicated by Adu-Amankwah (1999), total formal employment fell from 464,000 in 1985 to 186,00in 1991, demonstrating a loss of 278,000 jobs over a six-year period. Table 6.1 below provides details of the trends in formal sector employment from 1960 – 1991.

Table 6.1Trends in formal sector employment, 1960-1991 (Thousands)

Year	Public sector formal Employment	Private sector formal employment	Total formal sector employment
1960	184	149	333
1965	278	118	396
1970	288	110	398
1975	318	137	455
1980	291	46	337
1985	**397**	**67**	**464**
1986	347	66	414
1987	315	79	394
1988	252	55	307
1989	177	38	215
1990	189	40	229
1991	**156**	**31**	**186**

Source: (Gockel, 1998 cited in Adu-Amankwah, 1999)

The table illustrates that formal employment in both public and private sectors has been fluctuating, but it has been more on the decrease than the increase. Apart from the few people who opted for voluntary redundancy or redeployment, the majority of these people were young workers, labourers, cleaners, drivers, messengers and workers in the lower

grades of the public sector (Adu-Amankwah, 1999). The outcome of these adjustments was the creation of a large pool of retrenched employees who later became candidates for the informal economy as a spin-off of the formal economy. Since the middle of the 1980s the informal sector has received growing consideration in the development discourse of Ghana. As a result of the realisation that the sector has not only continued to exist, but has also significantly expanded, the interest in the sector at academic and policy levels has risen (The Statesman, 2007). Here, the perceived relationship between formal and informal economy is that the decline in the formal economy is responsible for the growth of the informal economy and that the informal economy has become the destination for the marginalised population.

Based on the assumptions underlying this theoretical perspective, the question is: does this structuralist perspective apply to the Koforidua informal economy? At present, over 90% of the workers in Koforidua are in the informal economy, of which women constitute around 57%. A careful observation of the informal economy in Koforidua also revealed that the informal economy is widespread across nearly all sectors of the economy, but in the popular imagination, it is particularly prevalent in four broad realms, namely retailing, services such as hairdressing and dressmaking, car repair and maintenance (locally called "magazine") and the construction sector. Overall, it is perhaps in the retail sector that most people in the informal economy of Koforidua are employed (see, Figures 5.3; 5.4 & 5.5) in Chapter Five. Within the city, informal activities can be found on every street or corner. The informal economy in Koforidua has been known to add to job creation, apprenticeship training, income generation, and asset accumulation, amongst others. It is composed of mainly self-employment, contributing family workers, unpaid workers (apprentices and home workers) and a little paid informal work: mainly casual workers (popularly known as "by day"). The paid informal work is mainly associated with jobs such as construction, food vending and other activities where informal workers employ other people to assist them in their operations.

It is extremely difficult to divorce the dualist view from that of the structuralist in that both attribute the informal economy with negative characteristics. The structuralist, like the dualist, believes that the informal economy is the arena for the marginalised population. However, there is a difference in the interpretation of the

marginality by dualists and structuralists. According to the structuralist view, the nature of capitalist development (rather than lack of growth) accounts for the continuous growth of the informal production relationship. The loss of public sector jobs and the shutting down of unproductive businesses have forced many laid-off workers to find other ways to survive (Becker, 2004). There was lived experience to support this view in Ghana when, during the period of the IMF/World Bank led Structural Adjustments and Economic Recovery Programmes (Bello, 2004), most of the State Owned Enterprises (SOEs) were sold off through privatisation. As a consequence, many people were made redundant as the new enterprise owners sought to reduce their costs by down sizing. In order to adapt to the situation, most of these people ended up in the informal economy.

To evaluate the relevance of the structuralist perspective, respondents were asked what motivated them to do informal work. Some of the reasons given were as follows:

- Redundancy from formal sector
- Low wage in formal sector
- Job for myself
- Future job security

Redundancy from formal sector: as indicated earlier, the structuralist hypothesises that informal work grows in the midst of structural changes in the economy. This situation was witnessed in the mid-1980s and the 1990s, when Ghana accepted and adopted the World Bank/IMF led adjustment programmes to revive the then "dead" economy. As part of the implementation, certain conditions were to be honoured, such as cutting and/or freezing of public expenditure, currency devaluation, trade liberalisation and a shift from the policies of 'modernisation' to concentration on export-oriented production (Potts, 2008), especially of non-traditional commodities, privatisation of SOEs and deregulation to liberalise the economy. As a consequence, many formal sector workers became redundant as private owners resorted to downsizing and cost management in the hope of turning around these businesses to make them more profitable. As a desperate situation calls for desperate measures, some of these retrenched formal sector workers saw the informal economy as their "divine" destination. Most of them created their own small businesses, whilst others became temporary/permanent informal employees.

According to a 45-year-old former employee in a privatised government enterprise:

> 'Some of us are not marginalised because of our level of education but rather because of the deliberate government economic policy at the time, motivated by external influences. I was made redundant after my organisation was privatised and the workforce was downsized. Unfortunately, I became a victim as my department was merged with another and some of us had to be laid off. I tried looking for another formal job in a related field but, after a long search, was unsuccessful. I later realised that time was running out for me because age was a crucial factor in securing a formal job in my preferred job area'. When the researcher probed further, this was his response. 'You know in Ghana the retirement age is 60 years and therefore only a few employers will employ a 45 year old who has only 15 years, presumably, left to work, when there are more energetic young people around. Though experience counts, it might not be very important as training may be given. I therefore decided to engage in the informal economy as self-employed. Initially I was a bit sceptical because of the stigma attached to the informal economy as a sphere for the poor and the marginalised. I must say that I have never regretted working in the informal economy and branching out into initially uncharted territory'.

Job for myself and difficulty in securing formal employment: these two reasons have been put together because one impacts on the other. They emanate from redundancy from the formal sector. However, in the midst of globalisation, liberalisation and commodification of the world's economy, the informal economy has become more vibrant, comprising both necessity and opportunity workers. With limited or no regulation within the informal economy in terms of creating one's own businesses, even people with limited start up capital find it extremely easy to create or establish their own business. Again, in an era where the government is having difficulty in creating more jobs in the formal sector and most of the private sector firms are tending to move towards the informal economy, in the midst of growing unemployment and underemployment people will not wait for 'manna' to fall from heaven before they act. In Ghana in general and Koforidua in particular, there is an emerging business avenue or opportunity, which is gaining ground apace. This is the Information and Communication Technology (ICT) sub-sector of the economy, with mobile phones being of especial importance. This has been discussed extensively in Chapter Five in relation to the exceptional growth of the informal economy and represents one of the major findings of the study. On almost every street or corner in Koforidua one

can find someone selling mobile phones and/or its accessories and others selling phone sim cards and top up vouchers or talk time to use the common term. The communication industry was deregulated as part of the SAP and this has resulted in unprecedented growth in the informal economy in Koforidua and other parts of the country. People of all sectors of the society now use mobile phones in Ghana. Unlike the United Kingdom (UK), for example, where mobile phone companies usually offer customers monthly contracts with perceived free phones and other offers, in Ghana almost every user uses "pay as you go". As a result, top up vouchers are sold everywhere and have become a very lucrative venture. This also gives the companies instant and constant cash flows because retailers buy from the companies on a cash basis. This means that there is little or no default rate, which avoids the involvement of debt collectors and so on. There are others who work on a paid basis for the "big" informal operators as well as the mobile phone companies.

Future job security: experience they say is "the best teacher". With huge uncertainties hanging over nations' economies, people are increasingly becoming sceptical about their future in the world of work, especially in the formal economy. Presently, the global economic crisis (the so called credit crunch) or economic meltdown, which started from the core (western economies), is gradually trickling down to the periphery (developing economies) and this has increased people's uncertainty about their economic futures. The outcome is that more and more people are expected to turn to the growing informal economy. In the informal economy success or failure depends on the worker. According to one household respondent who is a dressmaker, 'it is your own action or inaction that makes you redundant from the informal economy'. She continued in the local language by saying, "obra ne nea w'arabo", which literally means, "life is what you make it". While this claim may hold for some, for those such as casual or temporary paid informal workers there is no such thing as future job security in the informal economy. The reason may be that there are often few or no employment regulations (contracts of employment) relating to their employment and the established self-employed can hire and fire indiscriminately at any point in time with impunity.

6.2.1 Policy makers and the structuralist perspective

The structuralist argues that changes in the economy have resulted in fewer formal jobs being created and thus more people are doing informal work, a view shared by the some of the policy makers. However the Head of SMEs expressed a different viewpoint: 'in my opinion most entrepreneurs enter the informal economy not only because of the failure of the formal economy but also because they have a low level of education and are thus not skilled. They therefore enter the informal economy, for example, petty trading, to earn a living'. His view rather supports the marginality view, which is one of the cornerstones of the structuralist perspective. His view also supports the structuralists in considering the informal economy as a subsidiary to the formal economy.

When asked, 'how do you describe the relationship that exists between formal and informal economy in Koforidua?' interviewees (policy makers) provided various responses, reflecting different perspectives. There are some formal organisations such as the Department of Cooperatives and NBSSI that deal directly with the informal economy entrepreneurs by providing them with credit and entrepreneurship/skill training. As echoed by the Municipal Planning Officer of the NJMA,

> 'Aside from the fact that the government provides some employment for the private sector, i.e. construction works, consultancy, etc., there are a lot of interventions that are coming like the Social Investment Funds (SIF), the Community Based Rural Development Programme (CBRDP), Water and Sanitation Programme (WSP), where we liaise with the private sector to undertake one assignment or the other. But with the SIF, in particular, we even undertake sensitization and capacity building workshops for the private sector to promote their businesses in terms of how to manage them, how to keep basic and good accounting records and how to access funds for their businesses'.

In the light of the Municipal Planning Officer's comments, the government has been proactive in the provision of jobs for the people, however limited their effectiveness might be. The notion is that government has been creating an enabling environment for the private sector to undertake formal work. So if the private sector is not living up to this expectation then there may be some inherent problems that are working against the private sector.

6.2.2 Examining the marginality thesis through Structuralism

In recent years, there has been a realisation that the informal economy is not just the arena for the disadvantaged (marginalised) in the job market, but also represents an opportunity for enterprise and entrepreneurship development. Following on from this, there is the need to critically contest the marginality view of informal employment in Ghana from a structuralist perspective. Indeed, in Ghana, as the evidence from this study and others suggests, over 90% of the workforce engage in informal work, hence the marginality view may be rejected based on the participation rate (numbers engaged). However, in terms of income and even overall output, it can be argued that the informal economy is marginal and a subsidiary of the formal economy. The reason is that the informal economy (90%) contributes about 40% to the GDP (GSS, 2003) and the remaining 10% of formal workers account for about 60% of the GDP. It therefore stands to reason that the informal work is marginal from the income perspective but not from other perspectives. Notwithstanding this, the potential debate on whether money or income is a good measure of wealth could provide fertile ground for further research in this area.

In examining the marginality thesis further, the intention was to find out why informal workers are mainly survivalists and what contribution they can make to economic development? The evidence helped to provide a clear understanding of the marginality view of the informal economy in Koforidua. Although there are cases of those working informally out of choice, the majority of participants in the informal economy in Koforidua are necessity driven and do so as a survival practice, as contended by the policy makers. This has also been discussed in Chapter Five under motives of informal workers. There is compelling evidence to suggest that some informal workers are necessity driven as a result of the failure of the formal economy to provide sufficient employment, especially during the structural adjustment and economic recovery programmes of the 1980s (Adu-Amankwah, 1999).

6.2.3 Policy makers' views on the motives for informal working against the marginality thesis

It is important to consider the responses given by the policy makers and find out whether the motives of informal workers suggest that they are marginalised. The responses suggest that there are different views regarding the question posed. While some of the policy makers believe that the marginality view holds for some workers, others reject the view that every worker in the informal economy is marginalised.

The Municipal Officer in Charge of SMEs rejected the marginality view and argued that,

> 'Ghanaians in general and entrepreneurs in Koforidua in particular have felt the need to do something on their own in line with government policy of promoting the private sector as an engine of growth. Some entrepreneurs are in the informal economy not as a survival strategy but to build a future for themselves and their families. I strongly disagree with the view that the inability of the government to provide adequate jobs has forced people into the informal economy'.

The Regional Manager NBSSI: 'in my opinion most entrepreneurs enter the informal economy not only because of the failure of the formal economy but also because most have a low level of education and are thus not highly skilled. They therefore enter the informal economy, for example, petty trading, to earn a living and as a survival strategy, which confirms that they are marginalised'.

The Municipal Planning Officer: 'a country that is aiming to attain middle-income status by the year 2015 should not rely solely on the government to provide employment for everybody; that is not possible. Certainly the government has a role to facilitate development of the private sector. People are more satisfied when running their own businesses'. He is also refuting the marginality view on the grounds that some parts of the population prefer running their own businesses to working for the government, even if there is enough formal work.

The Regional Statistician: 'this assertion that the government has limited capacity to provide jobs is true to some extent; however, when the right environment is created for the growth of businesses and enterprises, people can go into the informal economy by

choice and not necessity'. In his opinion people should not solely depend on the government for the provision of decent work or formal employment. They need to take advantage of the good business environment created by successive governments to provide better jobs for themselves and even to employ others.

In analysing all these different views the conclusion that can be drawn is that it is difficult to come out with a single policy direction to address these differences. There is also support for the view of the Municipal Planning Officer that to achieve middle-income status all must play a part, and not rely solely on the government to provide employment, which would be impossible, even in advanced economies. Furthermore, the policy makers agreed that some informal workers who started out as necessity driven have over time become major players in the economy by taking advantage of the current conducive business environment that has been created by the successive governments. One key feature of the informal economy in Koforidua in particular and Ghana in general is that people tend to imitate other successful enterprises by entering into the same or similar business. The outcome is that it is not uncommon to find lots of people engaged in the same business. As the new entrant becomes successful, others follow suit, and that is the order in Koforidua's informal economy.

In terms of policy, there is a new attitude towards the informal economy; although from the policy makers' point of view formalisation seems inevitable, the informal economy has gained more recognition than ever before. The rhetoric about the private sector as the "engine of growth" has gained momentum in recent years. This has offered some kind of hope for the informal economy because the private sector has few formal enterprises. It is believed that the informal economy has a lot of potential to promote economic growth, but if it continues to operate as it is now, then it will take a long time for it to help bring about the necessary socio-economic development that the country needs. Informal work must not be discouraged by the policy makers, but instead should be recognised and some of its key players involved in major policy decisions affecting the informal economy. The current involvement of the GPRTU in transport policies is a major step forward; however, the task is too technical for the GPRTU alone to undertake. There is still more to be done and maybe greater involvement of the informal players might speed up the formalisation of the informal economy.

In summing up the structuralist view, it is important to emphasise that the marginality thesis has been rejected across many economies. Similarly, informal work in Ghana is not a marginal form of work and neither does it exist only amongst marginal populations. The informal economy in Ghana for most people is typical or the norm and not atypical or marginal, as may be the case in the western economies. Therefore, this study, like previous studies elsewhere, including western economies, refutes the marginality thesis, notwithstanding its contribution to GDP. In addition, it must be argued that the informal economy predates the introduction of the formal economy (the capitalist market system) in Ghana. This is to place emphasis on the existence of the informal economy from the beginning of the history of Ghana. Based on the findings, the current relationship between formal and informal economy is one in which the informal economy is dominant, overshadowing the formal economy. As the informal economy has grown larger over time, the relationship between it and the formal economy has been inverted, with the formal economy becoming subordinated to the informal economy.

6.3 Evaluating the Legalist perspective or 'The Other Way' perspective

From this perspective, the informal economy is seen as an alternative to the formal economy and is theorised as having positive features which promote economic growth and development. This is in stark contrast to the dualist and the structuralist depictions, as shown in Table 6.4's depiction of the key assumptions of all the theoretical perspectives. The informal economy is expansive, but the formal economy is stagnating or may be increasing at a decreasing rate, as stated. As discussed from the literature, scholars such as Hernando De Soto championed this perspective of the informal economy in the 1980s and 1990s. According to de Soto et al., micro-entrepreneurs will continue to produce informally so long as government procedures regarding formalisation are cumbersome and costly. From this viewpoint, unreasonable government rules and regulations and administrative barriers are stifling private enterprise and growth of entrepreneurship. This is the view that takes informal economy as a "freewill" alternative to the formal economy. The legalists have focused on the belief that excessive regulation generates barriers to working formally

(Chen, 2004). In Ghana this view may hold to some extent, for example, in the case of self-employed informal workers who are opportunity driven and operate small to medium enterprises. In such cases they represent the few self-employed with around three to ten employees, paid on an informal work basis. Figures from the Ghana Statistical Service (GSS, 2002) show that the self-employed with employees constitute 4.2% of the total workforce as against 76.8% for self-employed with no employees (see, Table 5.2 in Chapter Five), representing 81% in all. In terms of the study area, self-employed with and without employees make up 82% of the total workforce (see, Table 5.3).

In this area there are other people who are prejudiced against the government institutions in charge of registration of businesses in Ghana. The common view is that these institutions are corrupt, and therefore some informal workers may not even bother with the system. Such people will inevitably bypass the state agencies and carry on with their informal work. Registration to some extent stifles creativity and dynamism, especially in the informal economy. The informal economy is very dynamic and thus those operating within it need to possess that same quality. Another supporting argument put forward by respondents is that when businesses are registered they are in a way restricted to providing or conducting specific business or businesses. People wanting to have a free hand, therefore, will avoid registration. The relationship between formal and informal economy at this stage is a "choice" and not a "necessity". For this reason, those operating in the informal economy as self-employed do so not because there are no opportunities elsewhere (in the formal economy), but as a deliberate decision to work in the informal economy in order to enjoy all the benefits that come with it, such as flexibility, independence, more money and the like.

6.3.1 Analysis of respondents' perceptions about reasons for engaging in informal work in relation to the legalist or alternative view

To evaluate the legalist view further, in terms of empirical evidence from Ghana, respondents were asked about the reasons why other people engage in informal work. This provides a holistic view about why people, not specifically the respondents of this study,

operate in the informal economy. Figure 6.3 shows participants' responses.

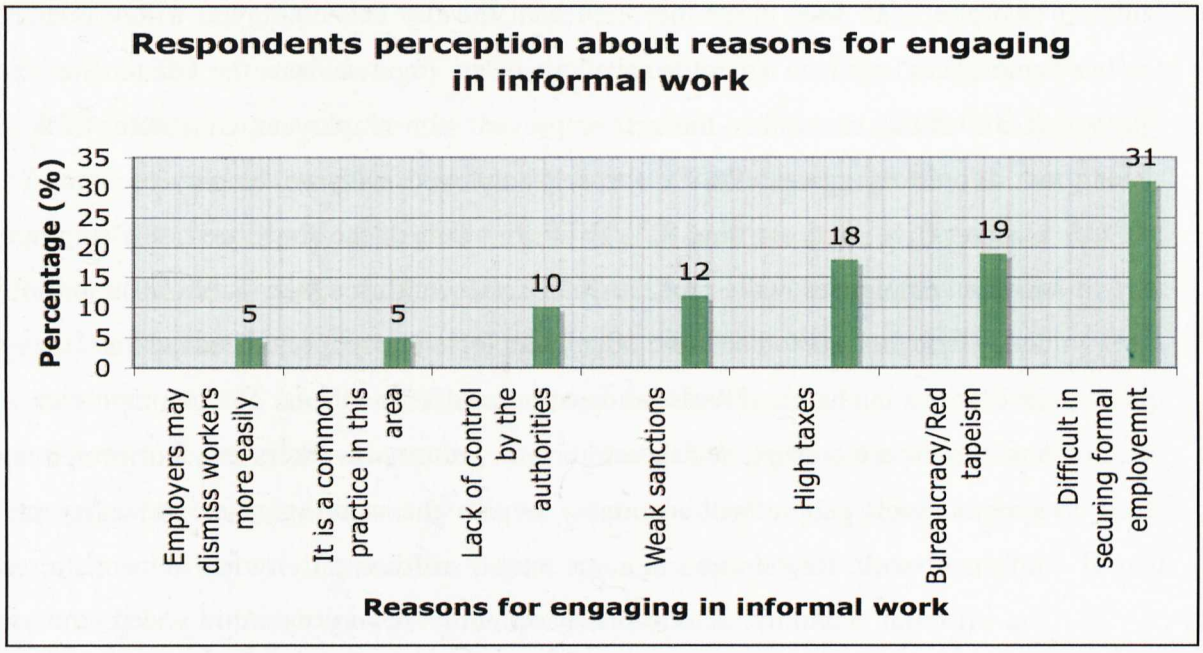

Figure 6.3 Respondents' perceptions about why people engage in informal work
Source: field data, 2007

Figure 6.3 above illustrates that 31% of the respondents were of the view that the existence of the informal economy is mainly due to difficulty in securing formal employment, which may be attributed to low levels of education. This was seen a major reason why others work in the informal economy in Koforidua, as discussed already (in Chapter Five under motives of informal workers). However, if one considers high taxes (18%) and bureaucracy/red-tapism (19%), giving a total of 37%, then it becomes clear that some people do informal work to avoid the excessive state involvement through imposition of high taxes and also the administrative bottlenecks or bureaucracy which delay the registration of enterprises. More than a third of the respondents belong to this group, which is significant and also confirms de Soto's claim that the problem is not the informality (de Soto, 1989) but rather the state intervention in or control over the production and sale of goods and services. A respondent claimed that when he wanted to register his business so that he might access financial assistance from the mainstream commercial banks, he spent several months trying without

success, and eventually gave up. When probed further why he decided not to continue with registration, this is what he said:

> 'I'm a Christian and it's against my Christian principles to give bribes and that's why I decided not to continue with the registration. At every stage, from one office to the other, one has to "do something", locally known by many as "fa ɛboo to so", literally meaning "put a stone on it", so that it can be processed. This has forced many, including myself, to carry on going about our business as we cannot continue to wait until "God only knows" what time to finish the registration of our businesses.

The "stone" in this context mainly refers to money in the form of bribes or tips. With a system alleged to be rife with bribery and corruption, people are not prepared to waste time going through such a cumbersome and frustrated registration process, and therefore operate informally. One issue that needs to be looked at is tips. In view of the nature of the system, tips are often seen as bribes. People who genuinely give tips sometimes feel like they are giving bribes to prospective recipients. This has become the order of the day for those who wanted to formalise their operations. From this evidence, therefore, it can be asserted that some people are engaging in the informal economy because state control of the formal economy and the high entry cost make it somewhat difficult for people to continue with or even establish formal businesses. People who dismiss the "time wasters" (bureaucracy) in the state authorities tend to be the opportunity driven informal workers, who are focused on taking advantage of a perceived opportunity in the informal economy. These are the workers who have moved beyond the survival stage of engaging in the informal economy and who also act in such ways as to lend support for rejection of the marginality view. They find the current environment conducive to doing business, regardless of the global financial crisis affecting national economies. They are estimated to be few in number: about 15% of the total self-employed informal workers in Koforidua.

6.3.2 Policy makers' understanding of the legalist perspective

Do policy makers in Ghana think along the same lines as de Soto et al.? From the policy makers' stance, the relationship between the formal and informal economy in Koforidua is not well defined, even though there is continued debate on formalisation of the informal economy in this area. When policy makers were asked, 'what do you think motivates people to go into the informal economy as producers or employers or consumers and employees?' various responses prevailed. The literature reveals a multitude of motives for people to participate in the informal economy. However, some of the motives given by the policy makers can be classified as specific to the study area. For the purposes of comparison, the views of each of the policy makers are given in Table 6.2 below.

Table 6.2 Main motives of informal economy workers in Koforidua as given by the Policy makers

Municipal Planning officer
• To get financial assistance and training
• Need to build capacity
• More benefits than working in the public sector
Head of SMEs
• People have seen the need to build capacity
• Becoming independent
• To gain easy access to financial assistance and training
• People see successful informal entrepreneurs as role models for them to emulate.
NBSSI Manager
• To earn a living
• To practise a trade that they have learnt
• To achieve their dreams.
Regional Statistical Service Boss
• Free trade and globalisation encourage buying and selling
• Becoming independent

Source field data 2008

These factors are a combination of the push and pull factors, which by and large channel people into the informal economy. It is interesting to note that the policy makers do not mention the government's inability to provide enough employment as one of the motivating factors for people in the informal economy. From the policy makers' perspective, the legalist view holds in relation to some of the informal self-employed.

The Municipal Planning Officer echoed this:

> 'previously the informal economy was purely an arena for those who might not have the kind of qualifications and skills that would get them into the public or formal sector. These days, even graduates, with high academic qualifications, would prefer to set up and manage their own businesses, because there are more advantages there than working in the public sector'.

This claim supports the view that part of the population conduct informal work not as a last resort but as a freewill activity. They also admitted that there were some delays in registering businesses and this might be the reason for people not wanting to register their business: and may hinder the achievement of the formalisation objective. In terms of registration and payment of taxes and/or fees, they emphasised that such payments should not serve as disincentive to operating formally because, with or without registration, those monies are still being collected. In dealing with the legalist argument, the policy makers, especially those from the Municipal Assembly, think that if the registration process can be streamlined then it may serve as an incentive for potential informal workers to register their enterprises. Taking a hard line may not solve the problem. There is the need to create a system that will attract prospective entrepreneurs to register their businesses with few or no obstacles. In doing so, new entrants into the informal economy might have their operations formalised and this also ensures that decent jobs are promoted.

6.3.3 Registration status of informal enterprises

Empirical evidence from Koforidua suggests further that about 61% of informal participants have not registered their business (whether deliberately or not). Some, including a section of the respondents in this study, have argued that they have not registered their businesses because of delays, bribery and corruption on the part of the institutions in charge of registering businesses. Others pointed out that they see no reason to register their businesses. These people are mostly engaged in the service sub-sector and normally have two or three employees. This view is consistent with the view of authors such as de Soto (1989), Schneider & Enste (2000) and Loayza (1996), who argue that the problem is not informality but that excessive state involvement in the production process

compels people to do informal work. Table 6.3 documents other responses on the status of enterprises in terms of registration in the informal economy in Koforidua.

Table 6.3 Registration of informal enterprises

Responses	Percentage (%)
Yes	22
No	61
In the process of being registered	6
Don't Know	6
Decline to answer	5
Total	100

Source: Field data, 2007

Those who have not registered their enterprises gave reasons such as "difficult to register" because of administrative barriers; "just started", "low profits" and "small size". Among those who had registered, registration was mainly with the Municipal Assembly (84%). This kind of registration does not make those enterprises formal. These enterprises are registered mainly not for tax purposes but to ensure that any assistance, such as training or financial aid through the social investment fund, earmarked for the informal operators, reaches its target audience. It is again important to note that it is the wish of the Assembly to formalise the informal economy, which is also consistent with long-term government policy on the informal economy. As a consequence, the Assembly is doing what it takes to achieve that objective. Furthermore, this registration does not mean that enterprises involved are doing business formally, as this would entail paying appropriate tax or social security contributions and observing labour laws for the employees of their businesses.

A key observation from the empirical evidence is that whether an enterprise is registered or not has little or no impact on their basic tax obligation. This is explained by the fact that about 75% acknowledge that they pay a fixed tax to the Internal Revenue Service (IRS), the government agency responsible for collecting taxes. Comparison of this figure to that of unregistered informal workers (61%) confirms that the unregistered participants may not be evading tax and that their non-registration may be due to other factors, including the cumbersome registration process.

Although the empirical evidence suggests that some people see the informal economy as an alternative to the formal economy, it may well be improper to

generalise this across the country: the reason being that this study is conducted in only one out of the ten regions and the views of the respondents might not be representative across the country. However, there is little or no difference in the characteristics of the informal economy in Koforidua and those of the other regional capitals across the country and thus, the views of these respondents, though limited, may well be representative. Even though they might not be nationally representative, these insights nonetheless mark one of the first steps to evaluating the relationship between formal economy and informal economy in contemporary Ghana.

There are a few workers (8%) among the self-employed who see the informal economy as an alternative to the formal economy, a view not unlike that of de Soto (excessive state intervention). For these people the informal economy is the other way of achieving long-term sustainable growth and development, if managed properly. From this optional or freewill stance, the informal economy is seen as a surrogate to the formal economy, which people tend to choose deliberately (de Soto, 1989; Williams & Round, 2006; Williams, 2006, 2007). Following on from the above it can be concluded that people conduct informal work because of the four key reasons suggested by respondents: bureaucracy/red tapeism – 19%; difficulty in getting formal work – 31%; high taxes – 18%; and weak sanctions –12%.

Generally in Ghana, the formal sector wage is higher than that of the informal economy. At least the formal sector, unlike the informal economy, may adhere to the prevailing minimum wage policy. In spite of this, some informal workers have argued that wages are lower in the formal economy. This might not be wholly true. However, one of the respondents claimed that the established monetary rewards for the self-employed may be higher than those of a senior civil servant. There are no available statistics to show the wage differences between formal and informal workers because workers generally do not disclose their wages and salaries, whether they are formal or informal workers. Nonetheless, the view of those who believe the informal economy is an alternative to the formal economy is that earnings are higher in the informal than the formal. Mr. Aboagye is a 36-year-old self-employed man who has been working in the informal economy for about ten years now. He argued that 'a public service job would be the last job I would do. Apart

from the money, which is too little, you are restricted to a routine, a highly inflexible working environment which is always uninteresting and unfulfilling'.

As put forward earlier, the legalist view holds for some informal workers in Koforidua and Ghana as a whole, though the percentage may differ from one region to the other. In this study the evidence suggests that only around 8% may see the informal economy from the perspective of the legalist. The rest of the informal participants may be defined under the determinism option because there is little or no other option for them elsewhere.

6.4 Evaluating the complementary view in Ghana

The fourth and final theoretical perspective evaluated for this study sees the informal and formal economies as mutually dependent or structurally interdependent on each other. If the dualist and the structuralist views are rejected, then what is the relationship between the formal and informal economy in Ghana? As was outlined in Chapter Three, this theoretical perspective was proposed by Williams (2007) but was not discussed by Chen et al. (2004). It was discovered that both the dualist and structuralist perspectives see informal workers as marginalised, undertaking informal work for survival purposes and as a last resort. The legalists, however, depict informal workers as driven by opportunity rather than necessity. In this section it will be established how the two seemingly distinct economies work hand in hand with one another. Researchers in this area contend that, through studies of the marginalisation thesis in developed nations, a new theorisation of the relationship between formal and informal work has emerged which views them as complementary (Williams, 2006, 2007; Williams and Round, 2006). This means that both forms of work grow and decline concurrently and are interdependent. Is this the case in the informal economy in Ghana? This is now considered.

Ghana's revised Poverty Reduction Strategy Paper (PRSP), the Growth and Poverty Reduction Strategy (GPRS II 2006–09), stresses the importance of employment creation for poverty reduction and specifically addresses the informal economy. This reflects the growing recognition that private sector development needs to encompass the micro and small enterprises (MSEs) in the informal economy, which represent 95 per cent of private

enterprises in Ghana. Measures including the promotion of entrepreneurship and of good business practices like bookkeeping and banking, strengthening technological proficiency and improving access to credit (ILO, 2007) are being promoted.

Akin to the structuralist view, the two spheres are seen as intertwined with each other in a mutually iterative relationship, rather than one arising as a consequence of the other. The complementary view was mainly related to the western economies but the thinking has changed recently (Williams & Round, 2008a).

Indeed, in the context of Ghana a complementarity theorisation may be seen as applying right across the economic landscape. There are a number of formal economy formal employees who own enterprises in the informal economy and use the informal economy to supplement or complement their income from the formal economy. As a vehicle spare parts dealer declared:

> 'I work as a mechanic with the Public Works Department (PWD) but have this business as well to supplement my income from this formal sector job. I have a nephew who looks after the shop all the time but I join him in the evening after leaving my formal work. I do not pay him monthly wages, but from time to time I give him an allowance so that he can buy goods and services which I cannot provide for him. I see him as a contributing family member and future heir of this business because, as an Akan, I believe in the matrimonial inheritance'.

According to him, the fact that he does informal work to supplement his income does not mean that he earns less through working in the formal economy. He believes he is better paid than most solely informal workers and this reinforces the complementary thesis.

The popular view is that formal employees conducting informal work may comprise the majority among prosperous informal operators. The realisation in Ghana is that instead of viewing the informal economy from the dualist or structuralist perspective, it must be seen that the two economies are inextricably interwoven and inseparable. However, the informal economy tends to grow faster than the formal economy: as the evidence from the literature and also from this study shows. There is, therefore, a requirement to acknowledge the informal economy as a major component of the overall national economy (and having a huge impact on labour and employment issues). Whether or not the government, through the Municipal Assembly, wants to formalise the informal economy, the fact still remains

that the informal economy has come to stay (as echoed by 61% of the respondents to this study). This reinforces the findings of others, who believe that in developing countries the informal and formal economy go hand in hand, even though the growth of the informal economy is noticeably higher than that of the formal economy (Blunch et al., 2001; Chen, 2005; Potts, 2008).

In Ghana, with reference to the complementary perspective and its associated reinforcement thesis, those who benefit most from the formal economy are also seen to be those who benefit most from the informal economy. On the one hand, the analysis of the employment status of respondents recorded the existence of 12% formal sector employees. On the other hand, formal employees who also do informal work alongside their formal work constituted 8%. These statistics make it clear that these formal employees are also benefiting from informal work. The reason that may be attributed to this is that people need some form of initial capital to start a business with and because those already in full time formal employment are better positioned to raise capital, they are always at an advantage. These people perceive their formal jobs to be better in terms of the conditions and pay. This is a view shared by the formal workers in this study who also conduct informal work.

In Koforidua, as confirmed by the policy makers, this situation does in fact exist. Formal sector workers do engage in informal activities. According to the Municipal Planning Officer, these people own most of the market stores because they can afford to pay the initial deposit for the stores. The formal employees are moving to the informal economy because of the perception that there is "more money" in the informal economy than the formal economy. The policy makers, however, argued that some part of formal employees' money (wage/salaries) is taken up by income tax and social security contributions, and that may be one of the reasons why they may earn less than some informal workers. Although the informal workers pay tax, this is just a drop of water in an ocean. In spite of this, generally, incomes are higher in the formal economy than the informal economy. Viewing the relationship between formal and informal economy as complementary might mean that policies would be formulated to promote the two economies side by side. The informal economy then might be regarded as having as much potential to promote economic growth as the formal.

The situation has created a segmented informal labour market composed of those in higher quality autonomous and well-paid informal work, who engage in such work more as a matter of choice, and those engaged in lower quality work which is more of a survival activity. Some of the case studies examined in Chapter Five provide a more nuanced understanding of the motives of informal workers in Koforidua, as has been discussed already.

Table 6.4 Summary of Key Assumptions of the four Theoretical perspectives against the Evidence from the Study

Competing Theories	Key underlying Assumptions of the theories	Evidence from the study area – Koforidua, Ghana	Concluding comments/application in the Ghanaian context
Dualist	Two distinct economies (formal & informal) – functionally separate The formal economy read with positive attributes Informal economy will disappear as formal grows The presence of informal economy is due to excess labour Dominated by the marginalised population. Informal work is necessity driven for survival purposes.	The informal economy is now the mainstream economy – over 90%. It has not disappeared, but instead is expanding. It is not wholly true that informal economy is made up of marginalised population. Formalisation is impossible to achieve Some of the respondents' motives mimic the marginality view to some extent. The relationship between formal and informal is far from being dualist.	The dualist believes in unilinear structure of the economy. As a result, this theorisation of the relationship between the formal economy and informal economy in Ghana is rejected. The informal economy predates the introduction of formal economy by the colonial rulers. The formal is trying to overpower or absorb the informal economy with little or no success. The informal economy is the mainstream economy participated in by almost every Ghanaian. No substitution of informal by formal economy but rather cooperation between the two. There is little or no change in the structure of Ghana's national economy.
Structuralist	Both the formal and the informal economies are mutually dependent (partners of capitalists sector). Not enough formal jobs due to population explosion or slow economic growth. Informal economy is subordinate to formal economy as a result of the development ofncapitalism. Informal work flourishes more in periods of structural change in the economy. Informal work is conducted by the marginalised population It is necessity driven. It is negatively read.	On the whole the marginalised population does not conduct informal work in Ghana. Neo-liberal economic reforms such as deregulation, privatisation, liberalisation and globalisation have increased informal work. The informal economy is strongly linked with the formal economy. The periods of structural adjustment have played a vital role in the current state of the informal economy in Ghana. The informal economy's contribution to GDP is still marginal.	The marginality view is highly controversial. Based on the evidence gathered, it can be applied, depending on what is being viewed. In terms of participation rate it is not applicable but in terms of income it is. The by-product assumption is also under the spotlight, because the informal economy has been in existence since before colonial rule, during colonisation, after independence and before the implementation of the structural adjustment programmes.

Competing Theories	Key underlying Assumptions of the theories	Evidence from the study area – Koforidua, Ghana	Concluding comments/application in the Ghanaian context
Legalist	Informal economy has come about as a result of over-regulation by administrative bureaucracies. It is an opportunity-driven activity. Has come about as a consequence of spontaneous creative response to state inability to satisfy the basic needs of the people Informal economy is positively read.	Some people do informal work as a result of perceived corruption within the state's bureaucratic institutions. There is little or no incentive for formalising one's business. There are also opportunity-driven entrepreneurs Registration of enterprise or activity seen as time wasting Payment of tax in informal economy has nothing to do with registration. There are few opportunity driven entrepreneurs but some necessity entrepreneurs have grown to become successful (see case study of Paddy).	My observation in this direction is that only a handful of entrepreneurs opt for informal work because the registration system discourages them from formalising their operations. However, people are conducting informal work because they see freedom there; it has the potential to make more money, people have flexible working hours, amongst other benefits, as already discussed under the motives of informal workers It is a choice not a necessity.
Complementary	Both informal and formal economy grow and decline together. Informal work strengthens rather than reduces social and spatial disparities. There is no defined dichotomy between the formal and informal economy. Informal economy is positively read. Affluent households conduct more informal work than deprived households.	Government stressing the need to create formal employment to reduce poverty, while addressing the informal economy. Semi-affluent and the deprived conduct more informal work (80% against 20%). Not much evidence in Ghana as the informal work sector is far bigger than the formal.	The complementary perspective is the most feasible, but currently it appears to apply on a very small scale. Even though it is difficult to give specific figures for the formal employees conducting informal work alongside their formal work, there is evidence to show that they conduct informal work to boost their income from the formal work.

Table 6.4 provides a summary of the key assumptions underpinning the various theoretical perspectives used in this study to evaluate the relationship between the formal and informal economy in Ghana. The table has been referred to in the appropriate section of this chapter.

6.5 Chapter summary

This chapter has evaluated the theoretical perspectives focused on in this study. The in-depth assessment of these theories vis-à-vis the evidence from the study suggests that there is no single theoretical perspective that is universally applicable to Ghana in terms of the relationship between formal and informal economies. A key finding is that the dualist perspective must be rejected, as the informal economy in Ghana did not disappear but has instead grown to become the main form of work for almost all Ghanaians. It has also been argued that both households and policy makers believe that the informal economy has come to stay. Although, government rhetoric in terms of formalising the informal economy is ongoing, the fact still remains that informality remains the norm across the economic landscape of the country. This is important for how the informal economy is addressed in terms of government employment policies.

In relation to the marginality view, this has not been rejected entirely. From the analysis it is clear that the marginality view is appropriate in Ghana in terms of the contribution of the informal workers to the overall national output. The physical working conditions of the majority of the informal workers also mimic the marginality view in most cases. Nevertheless, the marginality thesis was rejected based on the numbers involved or size of the informal economy as against the formal. It is also true that some do informal work because of the over regulation by the state, which supports the legalist view. The informal economy in Ghana is known to have a complementary relationship with the formal and thus one affects the other.

All these conclusions therefore call for a different policy approach to address the problems of the informal economy and also for acceptance that the two perceived economies (dual economy thesis) are not distinct but are interrelated. The next chapter will focus on providing detailed conclusions in terms of the individual theoretical perspectives.

CHAPTER SEVEN

CONCLUSIONS, IMPLICATIONS, RECOMMENDATIONS AND FUTURE RESEARCH

7.0 Introduction

The preceding section evaluated the relationship between the formal and informal economy alongside the evidence from the study. It was established that no one theoretical perspective is applicable to understand fully Ghana's informal economy. The outcome of this analysis was a call for an integrated approach in terms of public policy to address the underlying problems of the informal economy and to make it more vibrant. In this section attention is given to the conclusions of this thesis. Despite the fact that the informal economy is not a new concept, it has acquired a renewed currency in a world characterised by an increasing divide between the rich and the poor.

The informal economy has attracted maximum attention since it was given its place in the development discourse by academics, governments, policy makers and others. The evaluation of the relationship between formal and informal economies, using the main theoretical perspectives, has also been addressed by researchers in this area (see, Chen, 2005; Williams, 2007, 2008; Williams & Round, 2008), especially in the western context. However, it has seldom been considered in relation to developing countries such Ghana. It is upon this knowledge gap that this study was conducted. This chapter provides the conclusions of the study, implications, recommendations and direction for future research. The first part comprises a summary of the key findings, followed by the general conclusions based on the research questions, aim, objectives, observations and findings of the study, and the implications for policy. The other sections include the recommendations, contributions to existing knowledge in this field of research, implications for theory and practice, limitations of the study, direction for future research and overall conclusion of the thesis.

7.1 Summary of key findings

Having discussed and evaluated the main perspectives that theorise the relationship between the formal and informal economy, the key finding was that these theories do not have a universal application to the informal economy in Ghana. It may be incorrect to assume that they can be applied across the board. However, it has to be said that this study has opened up the debate on the relationship between the formal and informal economies that seldom surfaces in the development policy discourse in Ghana. It has also provided more insight into the marginality view of the informal economy, which was one of the key issues this study sought to investigate.

It is argued that the low level of education is associated with informal work and workers in developing countries, especially Sub Saharan Africa (Chen et al., 2004; ILO, 2002; Palmer, 2007). However, the respondents of this study emphasised emphatically that low level of education is the major reason why many people are doing informal work in Ghana. This may be partly due to the high emphasis on basic education policy (Free Compulsory Universal Basic Education) that tends to produce graduates at a basic rather than a higher level of education. This has also shaped the necessity/opportunity dualism of the motives of informal workers.

The study also found that informal economy participants do pay tax. This study may be among the few that have discussed payment of tax by informal workers in Ghana (see, Joshi & Aryee, 2002). Literature sources on the informal economy in Ghana, since the introduction of these taxes and beyond, have hardly discussed this phenomenon. Prior to the introduction of this "formal" tax, the informal workers were paying some form of tax, as acknowledged by Joshi & Aryee. The payment of these taxes, though regarded with some misgivings by the informal workers, has the potential to inculcate in such people the need to perform their civic responsibility.

The informal economy in recent years has witnessed tremendous growth, making it more difficult for the government to realise its formalisation objective. One area that has had its fair share of the growth is the ICT sector in the areas of mobile phones and internet. This sector has brought jobs to many, especially the youth in the informal economy. The impact on the cities includes human and vehicular traffic problems, as the number of street traders has risen in recent times and continues to rise with each passing day.

The increase in street vendors and the action taken by the Assembly to deal with

them is another issue investigated by the study. Although this finding is not peculiar to this study, the NJMA is extremely concerned about the unremitting growth of street vending, which results in other urban management problems. As shown in Figures 5.3, 5.4 and 5.5 in Chapter Five, street vendors have almost entirely taken over the carriageway of the main Koforidua –Accra road for street vending. Their activity has put extra pressure on the Assembly in terms of waste management and traffic controls. The Assembly claimed that revenue generated from these street vendors is often far less than the cost of keeping the city clean on a day-to-day basis. The impact on urban planning is also enormous as informal operators, especially those operating from kiosks and containers, indiscriminately locate their activity on any available space. Yet the Assembly has adopted a laissez-faire attitude towards these kinds of activities.

There has been intense debate as to what is the best way to provide credit for informal entrepreneurs involved in informal micro, small and medium enterprises. Even though this study confirms findings from the literature on the financing problems of SMEs in Ghana, it has also added weight to the ongoing debate. One major finding in this area is the way microfinance is hailed as a "messiah" who has come to deliver his people from the woes of capitalist bondage. Microfinance has become a household name in the financing of informal economy activities in Ghana. Although the terms and conditions for accessing these loans are prohibitive, because of absence or inadequacy of access to credit from a cheaper source (i.e. traditional commercial banks), potential borrowers see it as a "necessary evil". The microfinance institutions have rather turned their clients into what might be called "cash cows", making sizeable profits from them and deepening the poverty holes. The popular view is that they have enriched themselves at the expense of the vulnerable poor informal operators, who are desperate to do business and earn a livelihood at whatever cost. The managers of microfinance institutions are now believed to be living in the midst of plenty, leaving the poor still poor. This situation in a way has contributed to the worsened plight of some of the informal workers. Some of the informal workers in this study are calling on the government to provide them with financial assistance, and thereby improve their situation rather than making matters worse.

7.2 Reflection on the methodology used for this research

As stated in the methodology section, this research made use of a mixed method. However, more emphasis was laid on qualitative methods because of the explanatory nature of the study. There are various ways one can conduct qualitative research, but in terms of this research a case study approach was adopted. The choice for case study was influenced by the nature of the phenomenon under consideration, the objectives and the research questions. Similarly, the case study method, according to Yin (1989a), fulfils the three main views of qualitative methodology: describing, understanding and explaining. This method was to ensure that prospective readers of this thesis would have a sound understanding of the study, which the case study approach can achieve through focusing on comprehensive observation, reconstruction and analysis of the diverse cases and integrating the points of view of all the respondents (Zonabend, 1992).

Equally, the case study approach offered me the opportunity to increase my personal understanding of informal work in Ghana, especially Koforidua. The study also adopted face-to-face interviews as a tool for gathering the primary data. The advantages of this strategy are enormous, as argued by the numerous studies (see, Berger & Luckmann, 1966; Denzin & Lincoln, 2000; Easterby-Smith, Thorpe, & Lowe, 2002) which have been highlighted in the methodology section under Chapter Four of this thesis. The "power" of interviewing respondents face-to-face, was confirmed and the experience was overwhelming. The reality, as evidenced by the day-to-day activities of informal work, is far vivid than anything that the literature can usually offer. Talking to people and also seeing the way things are done in their natural state makes one feel that this sector needs more attention than it is receiving presently. If the goal of the government is to achieve long term growth and development and perhaps formalisation of the informal economy, then it has to do more to bring the key players in the informal economy on board to deliberate on the pressing issues affecting this sector of the national economy. In addition, consideration of the competing theoretical perspectives of the informal economy helped to uncover the main assumptions underlying each and how informal workers are portrayed by each of the perspectives. These theories have been used by many, including (Chen et al., 2004; Debrah, 2007; Leonard, 2000; Skinner, 2002; Williams, 2008; Williams & Round, 2006; Willman-Navarro, 2008) in previous studies in this area of research. It was therefore considered appropriate to use these approaches in this research as well. It has to be argued that the methodology and

research strategy adopted were highly successful elements of this study.

7.3 What sort of relationship exists between the formal and informal economy in Ghana?

The detailed assessment of the theoretical representations in Chapter Six revealed that it is too simplistic to conclude or generalise that one theoretical perspective is applicable to a specific context and/or informal work/workers in Ghana. Although evidence can be ascertained to substantiate all of these viewpoints in terms of a specific locality and particular types of informal work or worker, it would be unrealistic to suggest that any one of these theoretical perspectives perfectly describes the nature of the relationship between the formal and informal economy in any economic landscape in Ghana.

In Chapter Three, it was established that the dualist perspective portrays the informal economy as disintegrating and disappearing from the economic landscape of Ghana. It also suggested that only the marginalised population participates in the informal economy, whilst well remunerated secure jobs are associated with the formal economy (Jütting et al., 2008), and job insecurity, low earnings and exploitative conditions with the informal economy. The first objective of this research was to investigate whether the informal economy is always separate and discrete from the formal economy, as advocated by the dualist school of thought. The relationship that exists between the formal and informal economy in Ghana, based on the evidence from this study, involves the positive attributes of all the relevant theories.

7.3.1 Formalisation of the informal economy

The first question to be addressed is whether formalisation has occurred in Ghana. The response to this is clear; formalisation has never been achieved in Ghana, either before or since independence. The attempt to formalise has rather resulted in increased informalisation. This is evidenced by the fact that in Ghana the informal economy has been the mainstream economy for years, even predating colonial days, and now employs over 90% of the total working population. The analysis of the household data from Koforidua also revealed that the informal economy is resilient and extensive, constituting a key and integral element of the modern capitalist economy in that area of Ghana. Just as one has to reject the dualist perspective in Ghana on the basis

that formalisation has not occurred to any great extent, it is also important to argue that the marginality view posited by the dualists is also unacceptable. This is on the grounds that the informal sector does not necessarily involve marginal activity and is indeed participated in by the affluent and the employed. Policy makers interviewed in this study also rejected the claim by the dualist theorists that there is no relationship between the formal and informal economy. However, they have mixed views concerning the formalisation of the informal economy. The suggestion was that it would be difficult, if not impossible, for anybody to attempt to formalise the informal economy, considering the current size and its potential for further growth. This being so, any efforts at eradication are likely to be doomed to failure, or even counterproductive. The informal economy is a permanent phenomenon; it is here to stay, and is likely to go from strength to strength in the future. It is important is to recognise and accept that, as confirmed by the policy makers, it is part and parcel of the socio-economic fabric of Ghanaian society. Formalisation of the informal economy in Ghana is a dream that may never be realised. The way forward is cooperation rather than confrontation between two seemingly separate economies.

7.3.2 Marginality thesis

A critical examination of the marginality thesis was one of the main objectives of this study. The marginality view has been rejected by a number of research studies, especially those based on Western economies, and some of these were discussed in Chapter Three. Having evaluated the marginality thesis, the findings in relation to Ghana have proved inconclusive, and on this basis it is extremely difficult to reject the theory. The explanation is that on the one hand, in terms of individual income earning ability, the informal economy is still marginal because most of the participants are low-income earners. Although there may be a few informal workers who are earning higher incomes than some formal employees, the low-income earners (majority) greatly outnumber them. Whilst it cannot automatically be concluded that market women, for instance, are low earners, looking at the activities engaged in by most of these informal workers it becomes apparent that they are still at the survival level (see, GoG, 2003). The outgoing Minister of Employment and Social Welfare (Mr. Amoanor Kwao) confirmed the 40% contribution of informal economy when he inaugurated the new secretariat for the National Committee on Informal Economy in Accra. However, he

also reiterated that the informal economy, though the most vibrant sector and employing about 80% - 90% of Ghanaians, had remained underdeveloped and was characterised by low productivity and low incomes (GNA, 2010). There is also the need to discuss the marginality view in terms of levels of education. Evidence from this study unequivocally shows that there is a strong link between the level of education and the marginality thesis. Not only do people with low education conduct informal work, but also they are naturally excluded or marginalised from the formal economy. This claim, as was discussed in some detail in Chapter Five, was reinforced by those respondents who accepted that they had a low level of education. The marginality thesis was therefore confirmed in Koforidua when level of education was used as the main criterion or indicator.

The study rejects the structuralist claim that the informal economy is subordinate to the formal. However, it supports the view that informal economy and the formal are interdependent and positively correlated (Chen, 2005). Using structural changes in the economy to explain participation of informal workers paints a different picture, namely that formal workers affected by such changes often take up informal work. For this reason, the structuralist claim that the informal economy is an off shoot or by-product of the formal, participated in by marginal population on the grounds of necessity, may hold to some extent. The marginality view, under the structuralist perspective, may be measured in terms of income or output and that is the main reason why it is confirmed here. As explained earlier, the informal economy's contribution to overall national output is at an extremely low level (i.e. its contribution is insignificant in relation to its size). There is a near universal belief that working informally equates to being poor. However, the ILO (2002b) categorically states that there is no direct relationship between working informally and being poor or working formally and escaping poverty. There are still grey areas when it comes to defining poverty or a poor person. The reality is that most informal workers earn very low income compared to their counterparts in the formal economy, as confirmed by this study. Whilst the living and working conditions of most informal workers are very poor, some formal workers also live in appalling situations, and this reinforces the ILO perspective on informal work and poverty.

7.3.3 Informal workers against regulatory system of the state

Evaluation of the legalist perspective on the basis of the data suggests that it is applicable to some but not all informal workers in Ghana. The literature suggested that informal workers engage in this sector in protest at over-regulation by the state. However, in contrast to this core belief of the legalists, this study found that the majority of the informal activity is on a micro scale, which may not warrant the registration of such activity, and therefore operators see no need to register their business. For example, those selling bagged iced water, mobile phone sim cards and top-up vouchers, shoeshine boys, match sellers, may find the idea of registering such businesses bizarre. Most of the informal activities are livelihood activities that help people to subsist and thus these workers are not particularly concerned about regulations. Nonetheless, these micro enterprises have their own associations that regulate members, build a shield to prevent more people entering into a particular segment in order to make such an activity worth doing. Notwithstanding, there are a small proportion of informal participants who disregard the state because of the perceived over regulation and bureaucratic tendencies. These are the owners of small enterprises that often employ a few people. They tend to be the opportunity-driven workers who have seen informal work as being more profitable than the formal and thus choose the informal economy as an alternative. Therefore their motive in taking on this work, as the evidence of the study shows, is not to avoid paying tax (because in Ghana informal workers do pay some form of tax whether registered or not). Although the policy makers were reluctant to admit that the system is rife with bribery and corruption, on the whole they argued that the system is a bit cumbersome and therefore needs to be made more efficient to satisfy the needs of potential informal participants. None of the theories discussed can offer a 'cure all' solution to these problems of the informal economy and neither can any single theory explain the relationship between the formal and informal economy for all participants. This therefore calls for different policy interventions for the various dynamics of the informal economy.

7.3.4 Cooperation between formal and informal economy or either/or approach

The relationship between the formal and informal economy in Ghana is more likely to be a complementary one where the informal economy consolidates and reinforces the inequalities produced by the formal economy. There are some of formal workers who conduct informal work to supplement their income from formal employment. Put more precisely, the informal helps to bridge the gap between the haves and the have-nots. Among informal employees there are those who are undertaking it as a means to a livelihood, whilst for others it is a chosen option. Sometimes this form of work is seen as beneficial to economic development and social cohesion and at other times as detrimental. According to the empirical evidence from Koforidua, 8% of formal employees were also doing informal economy work alongside formal employment.

Again, the complementary view may be seen from a different angle where the formal economy and informal economy work in partnership. This is seen mostly in the area of construction, when a government institution contracts a private firm and that private firm uses informal workers to complete the project. For example, in the construction of feeder roads in the rural areas, there is a need for large numbers of informal workers (labour intensive) in order to complete the project. These informal workers are employed on a casual basis for as long as the projects last. The success or otherwise of the project by and large depends on the informal workers involved in the actual construction work. There is, therefore, the need to ensure that their relationship with the formal firm is cordial and harmonious.

In general, it is important to reiterate that it is not plausible to substitute the informal economy with the formal. The either/or approach may not yield the desired outcomes. Over many years, public policy has mainly been to promote the formal economy as a means to achieve economic growth and development. However, despite years of maximum attention on the formal economy, unemployment and underemployment are still common features of Ghana's national economy. There is the need for partnership to achieve a common purpose in the form of sustainable growth and development. An in-depth evaluation of the diversity of the various theoretical perspectives suggests that none of them have much validity (Chen, 2004), as the reality constructed socially is even more complex than these theories would suggest. With reference to Ghana, this study has discovered that no single theory can be universally applied across the country's economic landscape. It would be fallacious to advocate one

theory to describe the informal economy and its relationship with the formal economy in Ghana as a whole. As Chen et al., (2004, p. 19) claim, there is

> 'the need for an integrated approach that looks at which elements of the dualist, structuralist and the legalist school of thought are most appropriate to which segment and context of informal employment. Clearly, some poor households and individuals engage in survival activities that have or seem to have very few links with the formal economy and the formal regulatory environment (dualist). Some micro-entrepreneurs choose to avoid taxes and regulations (legalist school), while other units and workers are subordinated to larger firms (structuralist)'.

The way forward, however, is for all to recognise that the key underlying factor in the informal economy in Ghana, as in most other SSA countries, is interdependency based on caring for one another. It hinges on the belief that "I am because we are"; "the community exists because we do". The way forward for informal economy is not substitution (either/or approach – formalisation or legalist view) but rather cooperation (complementary view). The issue that needs to be addressed is the view held by development partners, ILO, governments and even local governments: that the solution to the problems of the informal economy (lack of job security, long hours, low wages and potential illegality – tax evasion, child labour and others) can only be achieved through formalisation. The question here is how to formalise the informal economy. The answer is that such action is not necessary. What needs to be done is to engage the informal economy participants, listen to their needs and concerns and to work with them. This will afford an opportunity to get to the bottom of the inherent problems of the informal economy and to find sustainable solutions through overarching and well orchestrated policies at all levels of government.

7.4 Informal workers and poverty in Ghana

The relationship between informal work and poverty is complex and contentious and is continuously being contested (ILO, 2002). However, it is believed that the majority of the informal workers, in developing countries especially, are low-income earners (Chen et al., 2004; Debrah, 2007; Hart, 1973; Jütting et al., 2008; Skinner, 2002). The situation is no different in Ghana: where the majority earn a living in the informal economy and are considered to be poor (ISSER, 2007).

Given that the informal economy is deeply rooted and street vending is not going to disappear easily, what needs to be done is to adopt a fitting policy

response to the issue of poverty that encourages a more unbiased linkage between formal and informal economy. Policy makers have to recognise the informal participants and consider their needs and at some stage involve them in the formulation of certain policies that may directly or indirectly affect them. For example, the head porter (locally called "kayayo" or "kayaye" in Ga and "paa-o-paa" in Akan) is an informal worker who provides a vital source of transportation for carrying travellers' luggage and other belongings from one car park (station) to the other and sometimes to their homes. Nevertheless, these people are seen as a nuisance and are rarely considered in national policy debates affecting the informal economy, with some even calling for their eradication from the cities. The fact is that it may well be difficult, if not impossible, to eliminate this activity within the informal transportation network.

To avoid reckless dissipation of limited resources, a more positive and friendly approach is required to inculcate in informal workers the need to observe health and safety and environmental sanitation in conducting their activities. They need recognition and support so that they can go about their activity in a more welcoming environment – without any form of harassment. There should be training for these people who are mainly women and who tend also to have very little or no formal education. They are mostly migrants and therefore may have no proper accommodation near to where they are conducting their activities. They take time to integrate into the urban economy, as most of them are originally from rural areas. In Accra, Kumasi and other cities it is believed that some of these people sleep on the street, in front of stores, in kiosks, uncompleted houses, slums and shantytowns. They are mostly exposed to the vagaries of the weather, and in the night to mosquitoes (which may cause malaria), and are at the mercy of criminals and other social deviants. This is one form of informal work which is dominated by child labour, and many other informal workers, mostly young male migrants in the hawking business, are in a similar situation, as discussed above. Most of the social vices (e.g. criminal activities such as burglary, armed robbery activities, rape, prostitution and so on) in the cities are alleged to be committed by such people, of whom some are believed to have been born and bred on the street. The key question that has to be answered is 'how to deal with these people'. First, there must be widespread recognition of these people as part of the wider society and an integral part of the Ghana's national economy.

The logical next stage, in the interests of social justice, would be to assess their

urgent basic needs and prioritise them accordingly. There could be registration of these people to keep track of them. A special savings scheme could be offered in order to inculcate the habit of saving. The present belief is that most of these workers entrust their hard-earned daily income to friends (normally older friends or family members), who sometimes may squander it; others keep their money about their person and this makes them vulnerable to attacks by robbers from outside and within their communities. This needs assessment must be done in a more participatory way so that the beneficiaries feel part of the process and are prepared to accept the recommendations thereafter. The outcome of the needs assessment may offer clues as to how to tackle this problem in terms of urban management. Evidence outlined in Chapter Five shows that not all informal workers in Ghana are poor. The fact is, however, that the poor majority have surpassed the rich minority. Any policy aimed at addressing poverty in the informal economy should not only look at the poor people, but also at how the so-called rich can sustain their income earning ability. This may put them in a position to expand their businesses and maybe employ others. The government's poverty reduction strategy must not only focus on the poor in the informal economy, but also the rest of the low income group throughout the national economy as a whole.

7.5 Informal economy: freewill or determinism

This study, like some previous studies, has revealed that informal workers in Ghana have varied motives for working in this sphere. On the one hand, there are those who conduct informal work as a result of lack of choice and are driven by necessity or need. The study found that the majority of informal workers in Ghana fall within this category. The key in terms of policy direction is to enable the necessity informal workers to transfer from the survivalist stage to a decent work arena. Firstly, there should be projects and programmes that specifically target these groups of people. Recently, the government of Ghana, through the NJMA, have been initiating a programme under the auspices of SIF in this direction. As part of the programme's skills training, workshops have been organised for the informal workers. Although not every informal worker has taken part, this is still seen as a positive step; however, more has to be done if the government wants to achieve the formalisation objective. Skills training of one or two days, as is provided at the moment, may not be enough. Evidence

gathered from the Municipal Assembly suggests that these training workshops are not conducted on a regular basis. If the informal worker is expected to move on from the survival stage and contribute meaningfully to economic development of the country then such training should be ongoing. This may bring about the creation of more decent jobs, as was achieved by the recent pilot project of the government of Ghana and the ILO in two districts in the Central.

In a country where higher education is a major factor in securing a formal job, improving the skills of the people may improve the way they conduct their self-employment business. The government, supported by the ILO, is bent on achieving better working conditions in the informal economy in order to transform it into a formal economy, and adequate skill training is crucial to ensuring the sustainability of jobs in the informal sector. It is important to strengthen the link between formal and informal economy by connecting informal participants to skills development institutions or centres (Baah, 2007; Haan, 2006; Palmer, 2007a). Skills training and development ought to be seen as means to an end but not an end in themselves: rather as a springboard for organising informal workers.

7.6 Implications for public policy

The key findings call for policy actions to be taken to ensure that the informal economy becomes the engine of economic growth in Ghana. It is important also for policy makers to put greater emphasis on facilitating the achievement of decent work within informal economy and not to direct all their resources toward the achievement of the unrealistic goal of formalisation.

As the dualist view has been rejected and the informal economy is seen as a major component of the national economy, there is the need for an attitudinal change towards the informal economy. The informal economy must have a new image. Over the years, government policy on informal economy has left a lot to be desired. Inherent within the informal economy is low earning capacity, which results in high levels of poverty throughout the country, and therefore policies must be formulated to address these issues. Measures are needed to make the informal economy more vibrant so that its contribution to the national economy can be increased. Public policy must also take into account the diversity of the informal work and workers when considering policy options and directions for the economy. Women are seen to be at the lower end

of the continuum among those engaged in low paid informal work. As the provision of decent work is at the centre of the government's formalisation policy, steps should be taken to address inherent problems such as bureaucracy. Again, the formalisation policy of the government lacks clear-cut definition. What constitutes formalisation is presently very ambiguous. In some sense, formalisation is concerned with informal workers registering their enterprises. Others also emphasise the need to practise basic booking principles by recording all activities and the like. It is therefore suggested that the government must be more focused on the meaning of formalisation in order to evaluate whether the policy is worth pursuing or should, in the interests of the nation, be discarded.

The value of asking which of the competing theories applies to Ghana is relevant for informing policy direction. There may be several diverse and equally good solutions to the intrinsic problems in the informal economy. Policy makers must not focus on the one "cure all" solution but create more ideas to address the diversity embedded in the informal economy. It is clear that these theoretical perspectives apply to different segments of the population and to different activities under different economic eras and therefore public policy must reflect this diversity. For example, in the urban areas some of the informal workers live in deplorable conditions in the slums and shantytown in cities such as Accra and Kumasi. These people are regarded in a dualist light by the urban formal economy: as belonging to a separate economy not linked to the modern economy, and their self-employment is seen as driven by the necessity to survive. The marginality perspective holds true for this segment of the informal economy, with women being the dominant group: as is the case across the informal economy as a whole.

In terms of policy formulation, both government and private employment policies should include measures to address the low level of female participation in the formal economy. Back in the late 1990s the empowerment of women was a topical issue on the national agenda, but there is still a long way to go. Although women form the largest segment of the population, they are marginalised in all aspects of human endeavour. Policies that focus on women may well serve to address the issues inherent in the informal economy as a whole because women make up over 90% of the informal economy: far in excess of their share of general population of about 51% (Thompson, 2009).

The Assembly's main concern is that the act of selling and buying goods and services along the streets goes against the intended functions of streets and this has a severe impact on city planning. In Ghana's cities, it is common to find drains (gutters) that are not covered. Street vendors who sit along these drains often dump all sorts of rubbish into the drains and this poses a severe health challenge for the city dwellers, especially the street vendors and their customers. What the Assembly needs to do is to intensify public health education for these people so that they become fully aware of the health dangers their actions pose. The long-term policy must be to reduce if not totally eliminate street vending along these open drains in the interests of the health and safety of both sellers and buyers. The National Youth Employment Programme is one of the means used to curb the street vending through training and the subsequent provision of employment.

Government action regarding children who have dropped out of school must be intensified. Currently, children who dropped out of school as a result of financial difficulty are being sponsored by the Assembly to go back to school (if they wish to do so) through what is called a "capitation grant". It is imperative to recognise that getting people off the streets today may not solve the problem because they will come back tomorrow. The reason may be that these people are not catered for most of the time in the physical development planning or existing regulatory frameworks and therefore have to vend informally (Carr & Chen, 2001). Controlling street vending is a very difficult task. What needs to be done, according to the municipal planning officer, is 'to find out why they are on the streets and develop measures to address the problems they may have'.

The way forward in terms of policy is not to look at that these issues as problems but rather to turn them into opportunities for economic development on a sustainable basis by engaging and working with them regardless how they are organised. The notion of partnership is vital in bringing the formal and informal economy together. As it becomes clear that different people are motivated by different factors in terms of conducting informal work, how do these diverse motives affect policy direction?

Most informal participants assert that low level of education is the main cause for doing informal work. An in-depth evaluation of major educational policies suggests that education has indeed played a vital role in growing the informal economy in Ghana.

From EFA to FCUBE, the formal economy continues to dwindle in real terms. The educational system in Ghana tends to place more emphasis on numeracy and literacy rather than vocational skills development. The current globalised and commodified market makes it easier and prudent to outsource for the technology or skills that may be lacking in the local economy. As a consequence, any educational policy that focuses on producing "just graduates" will contribute to the graduate unemployment and underemployment in that country and thereby augment the numbers of workers engaged in the informal economy. There should be a conscious effort from the government to make education more relevant to the changing needs of the world of work (capitalist economy) so as to be abreast of the times and the changing needs. Efforts must be intensified to provide technical and vocational education and skills training at all levels. Higher institutions of learning must diversify in terms of academic curricula by providing more enterprise and entrepreneurship programmes aimed at producing graduates who would take delight in working in the informal economy as entrepreneurs: through freewill rather than necessity. There should be a deliberate effort on the part of policy makers to de-emphasise the norm that the formal economy is the only trajectory for achieving one's socio-economic objective of a better life. There are other factors which pull or push people into doing informal work, but in Ghana, where higher education increases ones chance of getting a formal job, low education levels become a central issue.

7.7 Recommendations

These are the suggested ways of addressing some of the pertinent issues in the informal economy and thereby making it more viable and a major contributor to the socio-economic development of Ghana. The recommendations are based on the findings, problems and observations of this study in Koforidua, Ghana.

Firstly, there is a lack or inadequate data on informal workers. The size of the informal economy is always estimated. For example, currently, it is estimated that over 90% of Ghanaians are working in the informal economy. The evidence from this study also confirms this estimation. However, there are no proper records to substantiate this claim: though this may be a global problem. There is therefore the need to build a reliable database if the formalisation objective is to be realised. The Assembly, through the licensing system, has been able to register some of the informal workers but

this is insignificant in terms of the number of informal operators who are still not registered. One step that may help in building a database is to encourage the formation of associations of people who conduct similar or the same businesses. There are some organised associations in the informal economy but the majority of workers do not belong to any association. Now is the time when the GTUC most needs to organise the informal workers. When people come under one shelter in the name of associations, they become registered workers and thus the Assembly could collect this data from the individual associations, without necessarily contacting individual informal workers, to build a general database. The implication is that policy makers would then have access to data that might bring about evidence-based policy formulation on the informal economy.

One of the major findings of this study is that the majority of the respondents claimed that low level of education has been responsible for people working in the informal economy in Ghana. Although many researchers in this area (e.g. Debrah, 2007; Haan, 2006; Haan & Serriere, 2002; Palmer, 2007a, 2007b) have already criticised the educational system in Ghana as being responsible for the high incidence of informal work, it is still useful to contribute to the ongoing debate. Both Haan and Palmer recommend skills training for work. What this study recommends is not just skill training for work but a more comprehensive approach to addressing the inherent problems in the education system of Ghana. Education has to be relevant to the demands of the world of work. It is recommended that the post secondary level academic curricula should incorporate enterprise and entrepreneurship modules, not only for business and management students, but also for other areas like science, mathematics, engineering and so on. This may give graduates the entrepreneurial skills that are crucial for the world of work and also develop their ability and confidence to establish their own enterprises, thereby bridging the decent work deficit in the informal economy. Higher education should attempt to alter graduates' perceptions on getting formal jobs after completion of their programmes. As a nation we have relied heavily on the government to provide formal jobs for far too long, but the government has for so long been unable to fulfil this expectation: even at the dawn of independence when it was believed that there were enough resources at the country's disposal to create more formal jobs. Even the "education for all" project could not make more jobs available overall; in fact it tended to increase graduate unemployment and underemployment.

This thesis, therefore, calls for a paradigm shift to make education more relevant to the requirements of the neo-liberal capitalist system. The education reforms in the late 1980s had positive intentions of producing technical and vocational graduates who could become self-employed, providing themselves with decent work and even employing others.

Despite the smooth transition from the old middle school system to the junior secondary schools (JSS): now known as junior high schools (JHS), the technical and vocational aspects failed totally. This may well be due to the fact that there was a considerable manpower deficit in terms of technical and vocational teachers, limited supply of tools and workshops amongst other problems. The kind of educational system needed for the 21st Century is not one that overemphasises literacy and numeracy. What is needed is the type of education that is dynamic enough to meet the changing nature of the world of work and allow the government to create new formal jobs in the future. Education should therefore offer the people the skills needed to be independent in creating decent jobs for themselves. As formal jobs are the exception in Ghana and informal jobs are the rule, education should enable people to accept that the informal economy is a site for hope rather than gloom, and informal work must not be seen as a last resort: when all other avenues are closed. There should be more involvement of the civil society at all stages of national employment policy formulation, from the design stage through to implementation, monitoring and evaluation. This will ensure that stakeholders contribute to the achievement of these policies through inclusion of their inputs. The current growth of the informal economy should not be seen as a weakness and threat to the economy but rather as a strength: and an opportunity to turn around the misfortunes of the nation for a better future. As the informal economy engulfs almost everyone, any policy to address poverty in the informal economy may well address the poverty of the nation as a whole. The issue may not be too much informality (de Soto, 1989) but lack or inadequate specific projects and programmes to address the ills of the informal economy. What policy makers see as a problem might well turn out to be a solution if they could harness the informal economy by providing the necessary interventions instead of harbouring the unrealistic hope that the informal economy will one day disintegrate or be swallowed up by the formal economy as the country achieves some level of economic development.

It has been argued that one of the resources that could be used to reduce poverty,

especially among the most affected people, is the provision of micro-credit to allow them to engage in a business or to expand an existing business or provide them with an income generating activity. However, one of the major problems for the poor in accessing credit from the traditional commercial banks and other financial institutions is that they are regarded as non-bankable and high credit risk people. The inception of microfinance institutions was a huge relief for the poor and the low-income households who were thirsty for credit to do business. However, the current system of microfinance operations has more or less worsened the plight of most of the poor they were intended to help. Microfinance is seen as the solution to poverty in Ghana, but the difficulty lies in defining the key problems of poverty. While microfinance may be seen as easier to access than the credit from the traditional financial institutions, some of their lending criteria discourage borrowers. Their interest rate is always higher than the prevailing Bank of Ghana interest rate or the interest charged by the traditional financial institutions. There are additional reasons why some of the poor and low-income households (e.g. farmers) find it difficult to access microfinance loans. The loan repayment period tends to be too short (at least three months) and also the regular repayment intervals (at least every week) are too short. The main beneficiaries of microfinance facilities are petty traders who have quick turnovers. Some microfinance institutions do offer limited long-term loans, but their interest rates serve as a disincentive to borrow. This study recommends the introduction of policies and mechanisms supportive of microfinance for the poor that would make microfinance an effective tool for reducing poverty in Ghana on a more sustainable basis.

- First, there should be regulated interest rate regimes for all the microfinance institutions. The MFIs have enjoyed autonomy for far too long when it comes to charging interest on their credit. As indicated earlier, their interest rates range from 6% - 10%, or more, per month, resulting in payments of in excess of 72% - 120% per year. This is seen as total exploitation of the poor. The consequence is that whilst most of the beneficiaries of such loans struggle to keep up the regular repayments in the hope of securing prosperity in the future, they do not necessarily achieve this goal. Because people are desperate to better themselves, they seldom assess the cost and benefit of the credit they receive from the MFIs. It is heartbreaking to find that institutions registered as not for profit, for example, religious organisations offering micro credit, often charge high interest

on the micro credit they offer to prospective clients. A regulated interest rate regime may ensure that prospective borrowers are treated fairly.

- Second, there should be a government agency tasked with the responsibility of regulating the activities of the MFIs to reduce exploitation of the poor. This agency should be given a legal mandate through legislation by Parliament to review all the current lending policies of the MFIs to ensure that the poor are not exploited. This, to some (the neo-liberals), may seem to be interference with the market system. The reality is that the lives of many cannot be left in the invisible hands of the few in the name of the free market (capitalist system). If remedial action is not taken, the rich minority will continue to get richer and the poor majority will remain in what might be called perpetual poverty. Ghana as a nation has not developed to the extent that the private sector should no longer be regulated. Even in advanced economies like the UK, there are autonomous bodies that regulate the activities of the private sector: OFCOM, OFWAT and so on. For example, the Financial Services Authority (FSA) regulates the financial institutions to some extent and advises the government on financial issues to inform economic policies. If the current situation is not addressed, the government's aims of reducing poverty and achieving the Millennium Development Goal of eradicating extreme poverty and hunger by 2015 will become mirages, as will the idea of becoming a middle income nation.
- Third, the government's own micro credit (poverty reduction fund) should be managed efficiently. In the past, poverty reduction funds given to the poor were taken as a "gift" and therefore the rate of recovery of these loans was almost zero. Through the District Assemblies, the government is implementing a number of interventions, such as the Social Investment Fund and the rural enterprise project. Recently the government of Ghana allocated US$40 million in credit facilities to small and medium enterprises to enhance their business (Bamfo & Boateng, 2009). Even though the details as to how this fund would be disbursed are not yet known, past experience reveals that government funded micro credit has never been successful. Anecdotal evidence in this area is that most beneficiaries of government sponsored micro credit are supporters of the ruling government. As a consequence, they consider the money as their reward after campaigning hard to elect the party to power. This more often than not

makes recovery of the loans difficult, thereby preventing others from benefiting from the scheme in future. It is the wish of everyone to learn lessons from the past and therefore the managers of this new fund will use the learning curve experience to ensure that government microfinance is implemented efficiently and effectively in the future.

It is important to emphasise that these recommendations are not "divine" interventions. They must not be seen as an end in themselves but a means to an end. Therefore, the cooperation of all the stakeholders is required to make them happen. It is also believed that these recommendations should be taken as inputs for policy formulation and implementation.

7.8 Contributions of the Study

This research is perceived as part of a wider and longstanding academic dialogue in this area to make the life of the ordinary informal worker better, and attempts to make a contribution to existing knowledge on relevant contemporary issues in the context of Ghana, and particularly the study area – Koforidua.

Firstly, this study contributes to the debate on a subject that has been discussed in many countries, among analysts, academics, policy makers and researchers (Chen et al., 2004; Castles & Portes, 1989; Ninsin, 1991; De Soto, 1989; Williams 2006, 2007; Debrah, 2007; Palmer, 2007; Potts, 2008; ILO, 2002b) and highlights a geographical area that has received little research attention so far. This research seeks to bridge the knowledge gap identified in the literature. This thesis may be seen as the first study that evaluates the relationship between formal and informal economy in Ghana with specific focus on Koforidua in the Eastern Region. Having evaluated the competing theoretical perspectives, this study found them to be useful in a holistic sense. However, the contribution from this study is the proposition for a re-theorisation of the relationship between the formal and informal economy in Ghana, which encapsulates all the relevant elements of each theory to describe what is happening in Ghana. As a consequence, this study calls for a paradigm shift towards eclecticism: selection of what is the best or preferred option for the betterment of the informal workers in order to better understand and appreciate their diversity and respond to their individual and collective needs within the overall public policy formulation.

This study cannot claim to be nationally representative, having been conducted in only one out of the ten regions, and therefore the views of the respondents cannot be generalised across the country. However, it has to be argued that the characteristics of the informal economy in Koforidua are no different from those applying to the other regional capitals and the views of the respondents, though not comprehensive, may well be representative. The thesis creates the primary knowledge base on the use of competing theoretical perspectives on the informal economy to examine the actual relationship between the formal and informal economies in Koforidua in the Eastern Region of Ghana. It is therefore hoped that the outcome of this research will serve as an input for policy formulation on informal employment and also for further research in Ghana in particular and other nations in general.

The study also makes a contribution in terms of the existing definitions of the informal economy. Although it is difficult to define in all respects what constitutes an informal economy, this study has recognised that it is not always the case that informal work is unorganised, unregulated, unregistered, with non-payment of tax and the like in every economic landscape. Throughout this study in Koforidua, Ghana, it became clear that some of the informal enterprises and workers are registered, organised and pay tax. Therefore, these findings could be incorporated into future definitions to reflect the true nature of informal economy in Ghana. The study has also increased our understanding of the informal economy and how work is organised in this sphere of economic endeavour in Ghana, as a Sub Saharan Africa country, as against the Western informal economies. The caution here is that whilst the features mentioned above may be viewed as formal, their presence in the informal economy in Ghana does not make it formal. There may be organised workers, paying tax and so on, but they still remain informal because payment of tax alone is not enough to suggest that they are in formal businesses. There is ongoing debate in this area about payment of tax by informal economy participants. What perhaps needs to be done is to look for ways by which informal players can better their living standards and can contribute positively to the national economy.

The study also contributes to methodology through its use of the case study approach. The case study offered the opportunity to investigate comprehensively the intricacies inbuilt in the informal economy in Ghana. This study, in considering multiple case studies, makes a contribution to the design of such ways of assessing the

relationship between the formal and informal economy in Ghana in order to achieve a complete and an in-depth understanding. As Yin (1989a) reiterates, multiple cases strengthen the results by reproducing pattern matching, thus increasing confidence in the strength of the theory. Case studies have been used to develop critical thinking (Alvarez et al., 1990). What this means is that this study has not considered just the voice and perspective of the households, but also of the relevant groups (policy makers) and the interaction between them. This is a particularly valuable attribute of case studies because it offers a voice to the weak and voiceless. The major benefit for using multiple case studies as a research design stems from the fact that it allows the achievement of a personalised understanding of the issue under consideration (Atkinson and Shaffir, 1998; Patton, 1987). The study contributes further to the literature through the use of triangulation of method and data that permits a wider illumination of the research issues by using several sources of evidence to add thoroughness, extent, intricacy, richness, and intensity to the investigation and conclusions (Flick, 1998). The data sources used in the search for robust information consisted of interviews, direct and participant observation and documentary analysis. The interviews endow the study with clarification of both questions and answers (Tashakkori and Teddlie, 1998); the direct and participant observation provides for additional information for understanding the actual situation (Yin, 2003) which the questionnaire did not capture; and documents are used as a secondary source of information to augment the data and to provide the historical context to the field setting (see Marshall & Rossman, 1999).

Overall, a major contribution of the thesis is the finding that whilst some of the empirical findings are consistent with the theoretical perspectives in the literature, others do not support the theoretical explanations put forward to evaluate the relationship between formal and informal economy in Ghana. For example, although the marginality thesis did apply to many of the necessity-driven informal workers, especially those who are women (dualist and structuralist), it did not hold for the opportunity/choice-driven informal economy operators (legalist).

7.8.2 Directions for future research

The current state of the informal economy in Ghana offers the opportunity for future researchers in this area to rethink the nature of the relationship between the formal economy and informal economy.

Some of the limitations emerging from this study may be vital input for designing and conducting future research, either in the study area or other parts of Ghana. The socio-cultural fabric across the country as a whole lacks dynamism and therefore the behaviour of households in other areas may be predicted using the evidence from this study. In terms of the policy makers, the institutional culture within the public and civil services is the same throughout the country. Therefore, the policy makers' responses may show a little variation, which might be attributed to individual differences, but on the whole it may be minimal.

This research was carried out in only one of the ten regions in Ghana, which in itself is a limitation. This limitation should be seen as an opportunity for future research to replicate this study in other regions across the country.

Furthermore, this study looked the relationship of the informal economy with the formal economy using four contrasting theoretical perspectives. There is scope for other researchers in the same study area or elsewhere in Ghana in future to use a variety of theorisations of the relationship between formal and informal economy in Ghana.

It is assumed that most of the profitable informal workers are also employees in the formal economy: the reason being that these formal employees are able to raise the capital necessary for establishing vibrant informal enterprises. This situation presents an enormous opportunity for future research to find out whether it is the case that profitable informal workers are always also formal employees in Ghana.

Last but not least, there could be future studies into the proportion of the population in the informal economy. The present definition of working population (7years-64+) tends to overestimate the actual population in the informal economy. To reduce this anomaly the normal working population (15-64 years) could be used to establish the actual percentage of the population in the informal economy. This could help the government in its formulation of employment policies.

7.9 Overall Conclusion

The aim of this study has been to evaluate critically the relationship between the formal and informal economy in third world cities. Until now, the informal economy has been theorised either as a residue (modernisation thesis), by-product of contemporary capitalism and a survival practice conducted out of economic necessity (structuralist perspective), or an alternative to the formal economy voluntarily chosen due to

either an over-burdensome state (neo-liberal perspective) or according to social, redistributive, resistance or identity logic (post-structuralism). In this study, empirical evidence from a study of 80 households in Koforidua, the regional capital of the eastern region of Ghana, has been discussed. This has revealed that the modernisation thesis is not valid since informal work constitutes the mainstream economy in this urban area, whilst the formal economy is the minor sector, confined to a few enclaves: such as the public sector, and a relatively small number of private enterprises. Indeed, some 95 per cent of the surveyed population work in the informal economy in this urban area.

Instead, the finding is that the structuralist perspective, which depicts informal work as a survival practice conducted out of economic necessity, explains one-third of informal work, the neo-liberal agency perspective a further one-third and the post-structuralist perspective the final one-third. Furthermore, each of these representations of the informal economy is more valid for some types of informal work and some populations than others. The structuralist perspective that depicts informal workers as engaged in lower-paid work in sub-contracting chains out of economic necessity and as a survival practice is more relevant so far as waged informal work is concerned and for particular population groups, such as women, migrants from the northern region working as day labourers in the construction industry or farms, and Ewes undertaking informal agricultural work. The agency-oriented perspective, that depicts informal work as more of a voluntary choice associated with avoidance of burdensome state intervention, meanwhile, was more relevant to the informal self-employed and, so far as population groups were concerned, to men and Akans engaged in petty street trading. The more recent agency-oriented perspective that also views informal work as a matter of choice, but more for social, redistributive, resistance or identity reasons, was again more relevant for informal self-employment, and 70 per cent citing this reason were women from the Akans ethnic group and were usually engaged in petty trading.

Nevertheless, once other reasons beyond the primary rationale are taken into account, a rather different picture emerges. Only 40 per cent of informal workers cite purely the rationales of one perspective alone when explaining their participation in the informal economy. The majority (60 per cent) cite a combination of the structuralist, neo-liberal and/or post-structuralist logics, with one-quarter of all informal workers citing a complex range of motives that cover all three perspectives.

This being the case, the resulting conclusion is that it is not possible to depict the

informal economy in this urban area of Ghana using only one theoretical perspective. Instead, it is only by combining the perspectives, which were previously seen as competing viewpoints, that it is possible to achieve a finer-grained and more comprehensive understanding of the complex and diverse relationships between formal and informal work. Indeed, these are not rival perspectives, but rather, partial explanations for engagement in informal work that go some way to explaining the participation in some kinds of informal work among certain populations.

In sum, given that the informal economy in this regional capital of the eastern region of Ghana is not some traditional, stagnant, declining, backward, marginal sphere, as portrayed by the modernisation thesis, but is a large, ubiquitous and extensively used sphere, this thesis has revealed the need to move the informal economy out of the margins to a more centre-stage position in studies of the 'economic' of third world cities. Indeed, what is now required is for further studies to be undertaken elsewhere: not only in a range of other third world cities but also in urban environments in post-socialist societies and even advanced economies, to determine whether the same complex and multi-layered relationships exist between formal and informal work as in Koforidua and, if so, whether they are similar to those identified in this urban area. If this thesis encourages the undertaking of such studies and consequently a wider re-thinking of the nature of the informal economy and its relationship to formal work, then it will have achieved its objective.

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Appendices

Appendix 1 Introductory Letter for Policy Makers interviewed

THE UNIVERSITY OF SHEFFIELD
MANAGEMENT SCHOOL

Dear Sir/Ms,

INTERVIEW QUESTIONS AND DISCUSSIONS

The purpose of this interview is to gain data to enable me write up my PhD Thesis entitled: "**Evaluating the Relationship between Formal and Informal Economy in Ghana: A case of Koforidua in the Eastern Region**" at the Management School of the University of Sheffield in the UK. The research seeks to evaluate the different theorisation of the relationship between the formal and informal economy to establish which perspective/s is suitable in the context of Ghana. To achieve this overarching aim, the objectives are:

- to investigate whether the informal economy is always separate and discrete from the formal economy, as advocated by the dualist school of thought;
- to evaluate whether it is an inherent component/or by-product of the emergence of a new regime of capitalist accumulation, as advocated by the structuralist perspective;
- to assess whether it is a sphere of enterprise and entrepreneurship, which entrepreneurs enter out of economic necessity (marginalisation thesis) or choice, as advocated by the legalist school of thought;
- to assess whether the informal economy is a complement to the formal economy which reinforces, rather than reduces, the inequalities produced by the formal economy;
- to determine whether the relationship between formal and informal work varies in different contexts (e.g., across different areas or socio-economic groups); and
- to begin to identify the policy implications that arise from an understanding of the relationship between formal and informal work in Ghana.

As you are one of the key informants selected in this area, your views are important to the success of this research. I wish to state clearly that all individual responses and any additional information provided will stay strictly confidential and no individual will be named in thesis. Only the broad and combined findings will be reported in the final thesis.

For further clarification, kindly contact:

Kwame Yeboah-Korang Adom
The University of Sheffield
Management School
k.a.yeboah-korang@sheffield.ac.uk

Research Supervisors:

Prof. Colin C. Williams
The University of Sheffield
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c.c.williams@sheffield.ac.uk

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Management School
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Appendix 2 **Supervisor's supporting Letter**

The University Of Sheffield.

Management School

Professor Colin C Williams
School of Management
University of Sheffield
Sheffield S1 9DT
United Kingdom
E: C.C.Williams@sheffield.ac.uk

To whoever this may concern,

Re. Kwame Yeboah-Korang

I confirm that Kwame Yeboah-Korang is studying for a PhD in the School of Management at the University of Sheffield and is conducting his research on the issue of the informal economy in the Eastern region of Ghana.

I would appreciate it if you could help him with his fieldwork studies. If you have any queries, please feel free to contact me at the above address.

Yours faithfully,

C C Williams

Professor Colin C Williams

Appendix 3 Letter of Introduction from the New Juaben Municipal Assembly

NEW JUABEN MUNICIPAL ASSEMBLY

All Correspondence should be addressed to:
THE MUNICIPAL CHIEF EXECUTIVE
TEL: (081) 23014 / 22581
FAX: 081 - 22790

Office of the Municipal Administration
Post office Box 199
Koforidua E / R
Ghana

Our Ref: BC/126/217/01

Your Ref: .....

REPUBLIC OF GHANA

24th October, 2007

.....20.....

TO WHOM IT MAY CONCERN
LETTER OF INTRODUCTION - MR. KWAME YEBOAH-KORANG

This is to introduce Mr. Kwame Yeboah-Korang, a PhD Student in the School of Management at the University of Sheffield.

2. He is conducting a research on the issue of the informal economy in the Eastern Region.

3. It would be appreciated if you could please be assist him.

Thanks.

Yours faithfully.

FOR: MUNICIPAL CO-ORD. DIRECTOR
(ADU-OWUSU YEBOAH)
ASST. DIRECTOR IIA

Appendix 4 Institutional Questionnaire

Institutional perception of the informal economy in the Eastern Region of Ghana.

Name of the Institution.....
Position of the Interviewee.....

1. Over the years the informal economy is read as something that will disappear as the country begins to formalise. What is your view about the nature informal economy in the eastern Region?

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2. What constitutes informal economy is difficult to specify, how would you explain what an informal economy is in your opinion?

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3. It has also been argued that most entrepreneurs in the informal economy do so out of necessity – resulting from the failure of the formal economy to provide sufficient employment, compelling people to go into informal economy as a survival strategy. Please tell me your take on this assertion with reference to enterprise and entrepreneurship development in Koforidua.

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4. How would you describe the relationship which exists between formal and informal economy in Koforidua?

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5. In your view is this relationship a strong factor in terms of enterprise and entrepreneurship development in the informal economy?

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6. What do you think motivates people to go into the informal economy as producers/employers or consumers/employees?

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8. Can you categorise the kind of activity, which comes under the informal economy in the Region, which might be the same for other Regions in Ghana?

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9. Are you aware of any government classification of activities that are regarded specifically as informal in Ghana?

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10. What percentage of the labour force in Koforidua is estimated to be in the informal economy?

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11. In terms of revenue what percentage does the informal economy contribute to the Municipal Assembly's total revenue?

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12. It is believed that some people living here solely depend on the informal sector for their livelihood. As the head of the Assembly, how many people do you estimate to be dependent for their livelihood on the informal economy?

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13. The informal economy has come to stay, Are you concerned about more people moving into the informal enterprise?

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14. How does the Assembly or your institution deal with the informal economy in terms of public policy formulation?

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15. Could you please tell me the assembly's response to the growing number of street vendors, hawker, and children selling bagged iced water and other basic items on the streets and at the lorry stations?

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16. Has the Assembly got any plan(s) to formalise the informal economy?

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17. Do you have any mechanism in place to track enterprises and entrepreneurs operating in the informal economy?

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18. What can you say about the informal enterprises and entrepreneurs' contribution as far as poverty reduction is concerned?

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19. Is there any financial assistance facility from the Assembly available to the informal entrepreneurs for the purposes of growing their businesses?

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20. What problem(s), if any, do you face regarding enterprise and entrepreneurs in the informal economy of this area?

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21. How can these problems be solved from your point of view?

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22. What future plans does the Assembly have to support the informal economy to make it an arena where entrepreneurs enter by choice and not by necessity?

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23. If you were given the opportunity to change some aspects of the informal activities, what would you like to change and why?

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24 Finally, what do you have to say about enterprises and entrepreneurs who operate informally in Koforidua which the questions could not capture?

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Appendix 5 Household Questionnaire

Questionnaire on Informal Economy (Enterprise/Household)

Demographic Characteristics

Name of the Interviewee: .....

1 Sex:.....
2. Age:
3. Ethnicity:
   (a) Akan
   (b) Ewe
   (c) Ga & Ga Adangbe
   (d) Northerners
   (e) Other (specify)

The information on level of education is vital to understanding the relationship between one's level of education and his/her participation in the informal economy. (Testing the marginality thesis)

4. What is the highest level of education/skills training you have completed?
   (a) Never
   (b) Primary
   (c) Middle
   (d) Junior Secondary School (JSS)
   (e) Senior Secondary School (SSS)/Vocational
   (f) Polytechnic/Teacher Training College
   (g) University

5 How old were you when you stopped receiving full time education?
   10 – 12
   13 – 16
   17 – 21
   22 – 25
   26 – 30
   31+

6 What is your marital status?
   (a) Married
   (b) Single
   (c) Remarried
   (d) Divorced
   (e) Separated
   (f) Widowed
   (g) Other

7 Employment status;
(a) Employee
(b) Self-employed
(c) Unemployed
(d) Inactive)

8 Which sector do you work in? Tick
(a) formal sector: where do you work?
(b) informal: what kind of informal work do you do?

9 What was your Income from formal employment during the last fiscal year?

10 How many days of working in formal employment?

12 What was your Income from informal employment during the last fiscal year?

Income and Expenditure

13 How much do you spend on the following items per month?
(a) Rent
(b) Electricity
(c) Water
(d) Education
(e) Transport
(f) Food
(g) Clothing
(h) Others

General

Dividing areas into affluent, semi-affluent or deprived is significant in terms of how informal work is organised among the people.

14 How would you describe your neighbourhood?
(a) Affluent (high income)
(b) Semi-Affluent (middle income)
(c) Deprived (low income)
(d) Don't know

The housing characteristics help in defining the areas and also give information about the kind of households in each of the selected areas

15 How many rooms are there in this house?

16 Could you tell me how many people are in this house?

17 How many people share a room?

18 How many people aged 18 years and over in your household, including yourself?

19 How many children aged 0 – 17 live in this household?

20 Are you a native of this area?
(a) Yes
(b) No

21 If no, where do you come from?

Town District Region

Opinion Questions

It is a fact that a section of the potential labour force is employed in the informal sector: referring to activities which bypass the tax authorities and social security institutions but which on the other hand are legal in the eyes of the state.

22 Over the years the informal economy has been read as something that will disappear as the country begins to formalise. *What is your opinion about the informal economy in the Eastern Region?
(a) Will disappear
(b) May disappear
(c) Has come to stay
(d) Don't know
(e) Towards formalisation

23 In your estimation what percentage is the informal economy in this area? How accurate is this figure?
(a) Too high
(b) Too low
(c) More or less accurate
(d) Don't know

24 What proportion of the working population do not declare all or part of their income to the tax and social security institutions?
(a) Less than 1%
(b) 1% to less than 3%
(c) 3 % to less than 5 %
(d) 5 % to less than 10 %
(e) More than 10 %
(f) Don't know/No answer

25 People who work without declaring their income put themselves at risk in terms of the tax or social security institutions finding out and issuing

supplementary tax bills and fines, etc. *How would you describe the risk involved in engaging in informal activity: Is the risk very high, quite high, quite small or very small?

Very high risk ( )
Quite high risk ( )
Quite small risk ( )
Very small ( )
Don't know/No answer ( )

26 In your judgment, what sanction/punishment is to be expected if the authorities find out that someone has had an income from work of XXX

Pay all tax due but no fine ( )
Normal tax due plus a fine ( )
Prison ( )
Don't know/No answer ( )

27 Which of the following categories are in your opinion more likely to carry out informal work (rank in order of likelihood)?

(a) Unemployed
(b) Self-employed
(c) Pensioners
(d) Women without full time regular employment
(e) Regular employees
(f) Students
(g)Migrants/settler farmers
(h) Others (to specify)

28 How would you measure the following actions? For your Assessments please use the following scale: '1' means 'absolutely unacceptable' and '10' means 'absolutely acceptable'.

A A private household hires a private person for work without reporting it to tax or social security institutions, even though it should be reported

B A private household hires a firm for work without reporting it to tax or social security institutions

C A firm hires another firm for work without reporting it to tax or social security institutions

D A firm hires a private person and none or only part of the salary paid to him/her is officially registered.

E Someone evades taxes by either not or only partially declaring income

Answer categories for each behaviour pattern:

1 = absolutely not acceptable.....( )
2.....( )
3.....( )
4.....( )
5.....( )
6.....( )
7.....( )
8.....( )
9.....( )
10 = absolutely acceptable.....( )

Don't know/No answer.....( )

29 What in your view are the reasons for undertaking informal work?
(a) High Taxes
(b) Lack of control by the authorities
(c) Bureaucracy/red tape in carrying out an economic activity is too complex.
(d) Sanctions are too weak
(e) Employers may dismiss workers more easily.
(f) It is a common practice in his area
(g) Other (specify)
(h) Don't know
(i) Refusal
(J) Difficult in getting employment from the formal economy

30 What policy measures are the most effective in preventing informal/undeclared work (rank in order of efficiency or desirability)?
(a) Reducing labour tax
(b) Reducing red tape, such as entry regulations for the profession/health and safety rules for opening firms/shops, etc...
(c) Better labour inspection
(d) Higher sanctions.
(e) Availability of more flexible forms of employment contracts
(f) Less strict rules on workers' dismissal.

Informal Enterprise and Entrepreneurship

31 How many persons (excluding yourself) more often than not work in your enterprise?
(a) Less than 3
(b) 4 to 6
(c) 7 to 10
(d) More than 10

32 Out of the persons employed in your enterprise how many are the following?
(a) Owners (including business partners)
(b) Contributing family workers
(c) Paid employees
(d) Unpaid employee

33 Is your enterprise already registered?
(a) Yes
(b) Is it in the process of being registered
(c) No

34 If no, why?
(a) Don't know
(b) Decline to answer

35 Under which form is the enterprise registered?

36 Do you pay tax and/or social security contributions?
(a) Yes
(b) No

If yes, which type of tax and/or social security does your enterprise pay?
No

If no, why?

37 What are your main reasons for setting up your own business?

38 Are you the owner of this enterprise? Yes/No, if yes, leave questions 8-15.

39 Where do you primarily undertake your work?
(a) At your home (no special work space)
(b) Work space inside or attached to your home
(c) Factory, office, workshop, shop, kiosk, etc
(d) Other, please specify

40 Are you employed permanently or temporarily?
(a) Permanently
(b) Temporarily

41 Do you have a written contract or agreement for this job?
(a) Yes
(b) No
If no, why?

42 Does your employer contribute the social security on your behalf?
(a) Yes
(b) No
If no, why?
Don't know

43 Are entitled to any paid annual leave?
(a) Yes
(b) No
If no, why?
Don't Know

44 If you were to become incapacitated as a result of your work, would you benefit from paid sick leave?
(a) Yes
(b) No
If no, why?
Don't know

45 In case of birth of a child, do you qualify for maternity leave?
(a) Yes
(b) No
If no, why?
Don't know

46 Can your employer dismiss you without notice when you are not at fault?
(a) Yes
(b) No
If no, why?
Don't know

47 In case of dismissal would you be paid any benefit?
(a) Yes
(b) No
If no, why?
Don't know.

48 What are the major problems facing you as an informal worker? Please list them in order of severity.
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Appendix 6 Ethical issues considered

Key ethical issues

- Privacy of possible and actual participants
- Voluntary nature of participation and the right to withdraw partially or completely from the process
- Consent and possible deception of participants
- Maintenance of the confidentiality of data provided by individuals or identifiable participants and their anonymity
- Reactions of participants to the way in which you seek to collect the data
- Effects on participants of the way in which you use, analyse and report your data
- Behaviour and objectivity of the researcher

Source: (Saunders et al., 2000).

Appendix 7 Estimation of the current Koforidua population, 2010

Exponential Method for Projecting the Population of Koforidua from 2000 to 2010

The reason for using this method is that, in practice, population growth is a continuous process rather than the annual increase produced by the geometric formula. Therefore, a more appropriate formula for assessing the process of population growth is the continuous compounding formula based on the exponential growth law. The 2000 population is used as the base year population with a growth rate of 2.6%.

Exponential growth formula is $P_{t+n} = P_t e^{r*n}$

Where:

Pt+n is the year you are projecting to, in this case, 2010;

Pt is the ending point for computing the rate of change, in this case, 2000 = 87315

"e" is a constant with a value of approximately 2.71828

r is the rate of change = 2.6% or 0.026;

t = the first time period,

n = the number of time periods relative to the number of years in computing the rate of change. For example, 10 years equals one time period. Thus, if you are using 2000 as your starting population for computing 2010, n=1.

$2010 = 87315*2.71828^{(0.026*1)}$

2010 population for Koforidua = 89615