

The modern informal sector in Nouakchott

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This article describes the findings of a survey on the informal sector in Nouakchott, the capital of Mauritania.¹ The survey was the first in a series to be carried out by the ILO in five African cities under its Research Programme on Skill Acquisition and Self-Employment in the Urban Informal Sector of Francophone Africa.² The ultimate aim of this programme is to investigate, in close co-operation with the governments concerned, the training and employment potential of the "modern" informal sector, covering the main types of business activity (manufacturing, services and building) which could be expanded if given appropriate assistance.

An exhaustive census of non-itinerant activities in this sector, including market-place but not "off-market" trading, was conducted in Nouakchott in February 1977 in order to obtain an over-all picture of the informal sector and to provide the necessary sampling basis for the survey. The first part of the following article summarises the principal findings of this census. The sample survey on the categories of activity selected for analysis (woodworking, light and heavy metalworking, building, and mechanical, electrical and vehicle repairs) was carried out in June and July 1977. The second part of the article briefly analyses the results of this survey.³

1. The findings of the census

A considerable number of people and undertakings are engaged in the various activities comprising the informal sector in Nouakchott. In market-place trading alone 1,016 petty traders were enumerated, and on the basis of figures obtained for other towns it can be estimated that there are at least another 1,000 off-market traders. In manufacturing, 421 different undertakings were identified; in services, 405; and in building, 94. This gives a total of 2,936 people who have created their own employment and derive an income from it, the level of which cannot unfortunately be gauged. At all events, if the economically active population of Nouakchott in 1977 is assumed to be

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approximately 70,000 persons,⁴ it can be seen that the informal sector accounts for a sizeable proportion of total business activity.

On top of this there are also the workers who are employed in these small undertakings, but exact figures for all the enumerated activities are not available. Although the number of employees must be fairly small in trading, in the other branches of activity it is undoubtedly quite large since the sample survey later showed that the "modern" informal sector alone employed a workforce of approximately 1,545 persons.

The census also made it possible to identify a group of small entrepreneurs working in that part of the informal sector which we refer to as "modern" because it comprises a range of activities producing goods and services similar to those produced by the modern formal sector—goods and services for which, it was considered, demand would increase if the productivity and quality standards of the undertakings concerned were improved through more efficient management and resource use. This group ran 323 undertakings, 40 per cent of which (131) were covered by the survey.

Generally speaking, the census showed that the various activities of the modern informal sector were distributed somewhat unevenly, with major concentrations being found in the market-places and their immediate surroundings as well as, of course, in the centre of Nouakchott, the Ksar. Any informal sector development policy must take account of these concentrations, particularly if the establishment of assistance centres for small-scale undertakings is envisaged.

It also emerged from an analysis of the potential supply of and demand for informal sector goods and services that the old town (second, third and fourth wards) continues to play an important part in economic development: besides being the most dynamic section of the city, it houses a large number of informal sector activities.

II. The findings of the survey on the modern informal sector

An initial analysis of the findings of the survey enabled us to identify in some detail the functions performed by the informal sector in Nouakchott as regards both apprentice training and the employment it provides—employment which procures to a sizeable segment of the population an income equal in many cases to that derived from work in the formal sector. It was also very clear from our analysis that in the past few years this sector has developed extremely fast in respect of both the equipment used and the employment generated. It is not to be wondered at, then, that the modern informal sector also plays an economic role of some importance and helps to boost the volume of national output—mainly, it should be noted, by drawing upon small entrepreneurs' personal or family savings.

The development of this sector does, however, give rise to some major problems. Some 12 per cent of these small undertakings survive only with

difficulty; others appear to lack the wherewithal to expand and even those which have succeeded in achieving a satisfactory level of output are faced with management and marketing problems. The entrepreneurs are naturally aware of the difficulties confronting them but our analysis showed that their understanding of them does not always square with the facts as revealed by the survey.

On the whole, the diagnosis that emerges is positive and one can state with certainty that this sector, far from impeding the growth of the modern formal sector, in fact constitutes quite an important market for its raw materials and, in general, makes available goods and services to which the small consumer would not otherwise have access.

Training

The survey showed that the manufacturing and services sectors employ a great many apprentices: 41.6 and 63.5 per cent of their respective workforces. The building sector, however, for various reasons probably connected with its structure and scale of operation, offers hardly any opportunities in this field: only 3.7 per cent of building workers are apprentices.

In manufacturing and services 40.5 and 63.9 per cent of the apprentices work with entrepreneurs who state that they devote approximately 10 per cent of their working time to training activities; this percentage drops, however, to 22.1 in building, where the entrepreneurs devote an average of only 4 per cent of working time to apprentice training.

In general, these apprentices receive payment in cash and in kind to the value of about 350 ouguiyas⁵ a week, i.e. approximately 40 per cent of an unskilled labourer's wage. We shall not go into the question whether the value of the training provided compensates the apprentices for the loss of possible earnings elsewhere since we do not possess the necessary data. Nevertheless, it is clear that this type of training costs society nothing, that it provides the best preparation for self-employment, that it respects traditional values and hence offers the most appropriate formula for absorbing young rural migrants suddenly brought face to face with a modern urban social structure. Moreover, it has already enabled a considerable number of small entrepreneurs to start up their own businesses.

The survey shows that in manufacturing, services and building, 64.3, 84.2 and 21.6 per cent of the entrepreneurs received no other training than that acquired in the informal sector. Despite this, on the whole they seem to run their businesses just as well as other entrepreneurs who served an apprenticeship in the formal sector,⁶ if one takes into account the fact that they usually have much less equipment than the latter. On the other hand, they are at a major disadvantage, even if they have the same amount of equipment, vis-à-vis the 5 per cent or so of entrepreneurs who have attended courses at a vocational training institute (e.g. the one operated by the National Association of Mining Industries or the State-run Mamadou Touré Centre). However, this last type

of training is costly for society and, in any event, was beyond the reach of most of the entrepreneurs in the sample since 53 per cent of them had not attended primary school and 55.4 per cent came from the traditional background of agriculture, animal husbandry or fishing.

The survey showed that training in the informal sector was, and still is, mainly carried out along traditional and inexpensive lines. As often as not this type of training has enabled small entrepreneurs to earn a reasonable living since even the two categories with the least capital—those whose technical equipment is valued at less than 10,000 ouguiyas and between 10,000 and 50,000 ouguiyas—have an average income of approximately 2,700 and 4,600 ouguiyas a week respectively, i.e. two or three times the minimum wage for a skilled worker fixed by the general collective agreement.

Apart from this, when one considers that apprenticeship in the informal sector, over and above its function as a preparation for self-employment, usually also enables its beneficiaries to acquire the minimum technical skills needed to become semi-skilled workers in the modern formal sector—the survey showed that 51.3 per cent of former informal sector apprentices had at some time worked in the private or public formal sector—it is clear that this type of training deserves to be encouraged, particularly in the case of young school dropouts. This is all the more true since the survey showed that the greater part—70 per cent on average—of the working life of the small entrepreneurs in the sample who had been trained in the informal sector was spent doing jobs where they put their skills to direct use.

Employment

The survey showed that the 323 small entrepreneurs ⁷ employed approximately 1,545 persons, of whom 503 were apprentices; 13 per cent of the entrepreneurs had no employees, while at the other extreme 6 per cent employed between 15 and 29 people. Altogether the modern informal sector in Nouakchott (excluding tailors and some other trades) provided employment for approximately 1,920 persons if one adds the entrepreneurs themselves and the 50 partners who actually worked in the undertaking. This is some 35 per cent of the number of jobs (5,500) provided by the corresponding formal sector ⁸ throughout the country.

Furthermore, leaving aside the apprentices and some family helpers and day-labourers who altogether make up 36 per cent of the informal workforce, the wages paid are on a par with those in the formal sector and thus give no grounds for any blanket criticism of the productivity of these workers. Contrary to what one might think, skilled workmen make up a fairly high proportion of the remaining 64 per cent of the workforce and their distribution by sector is fairly even, i.e. 53.4 per cent in manufacturing, 72.0 per cent in services and 51.0 per cent in building.

It also emerges, however, that the level of training of skilled workmen and non-manual workers is not very high—48.5 per cent of the non-manual

workers and 45 per cent of the skilled workmen had received no basic education, and apprenticeship was still the principal means of training for a good proportion of them (30.3 and 66.5 per cent respectively). Given the fact that manpower with a modicum of special skills is relatively rare—which is confirmed by the average level of wages paid—one can hardly hold this particular skill structure against the small undertakings.

The informal sector has, moreover, contributed to a fairly rapid rise in employment—of a type probably better suited to recent rural-urban migrants than that provided in the formal sector—since the average informal undertaking has increased its workforce by more than 50 per cent since it was established. Over-all, the weighted average rate of increase in employment in the informal sector has been in the region of 13.8 per cent a year, with a figure of 12.7 per cent in manufacturing, 16.4 per cent in services and 13.1 per cent in building.

These figures may surprise those who are accustomed to thinking of small entrepreneurs and their employees as “failures” who have been unable to integrate themselves in the modern sector through lack of knowledge or know-how. In Nouakchott at any rate the informal sector is not, as some would have it, a waiting-room packed with (usually unsuccessful) candidates aspiring to work in the private or public formal sector. The survey showed that, in manufacturing and building, 41.1 and 67.6 per cent of entrepreneurs who had had at least one previous job had been manual workers, and sometimes even non-manual workers, in the formal sector; these figures refer only to the jobs they held for the longest period before starting up on their own. Similarly, a further 19.6 and 24.3 per cent of entrepreneurs in the above-mentioned sectors had previously worked in commerce.⁹ The figures are lower in services but 40 per cent of entrepreneurs in this sector had nevertheless participated in these same types of activity. This is far removed from the notion many people have of the informal sector. It is not just the refuge of the poor and the underprivileged; it is also a magnet for workers who have been able to build up sufficient capital in the industrial sector, or even in commerce, to set up in business on their own and thus escape the constraints of a work pattern that is often inimical to their way of life.

On the whole, the picture of the informal sector that emerges is at once familiar and surprising. Despite the problems it undeniably faces, this sector has been able to attract and provide productive employment for a fairly sizeable number of manual and non-manual workers. It also performs a transitional function for young people and in all likelihood, judging from the employment forecasts made by the Mauritanian Government for the period 1980-85, it provides adequate opportunities for the absorption of manpower in the future. According to these forecasts there will probably be little unemployment in the secondary urban centres, but the lure of Nouakchott for the rural population may result in a fairly heavy concentration of unemployment or underemployment in the capital.

Incomes

Notwithstanding what has often been said about the informal sector, manufacturing and building activities, in particular, enable the heads of such undertakings in Nouakchott to make a pretty good living. After deducting all running costs, 92.6 per cent of entrepreneurs in the manufacturing sector are still left with a profit equal to or greater than the weekly wage of a skilled workman in the modern sector (1,400 ouguiyas a week). The percentage rises to 94.6 in the building sector but is only 81.6 in services. This difference can be explained by the fact that it is easy to enter the services sector—very little material is needed to repair a radio set, a sewing-machine or even a car—but a modicum of skill is necessary to be really competitive.

It should also be noted that more than 50 per cent of entrepreneurs have a minimum income ranging from 5,300 to 7,500 ouguiyas a week, depending on the sector, and that for the upper tenth the minimum is 13,500 ouguiyas a week in manufacturing and services and 32,500 ouguiyas in building. It is not to be wondered at, then, that the wages paid by these entrepreneurs to a good many of their workers are competitive with those in the formal sector and thus rule out any question of generalised underemployment.

On the whole, as we have seen, the modern informal sector provides weekly incomes—invariably higher than the per capita national product—for a population of entrepreneurs and workers estimated at more than 1,900 persons. Of these, 88 per cent of the entrepreneurs have a weekly income equal to or greater than that of a skilled workman in the formal sector, and a sizeable proportion of workers are paid wages corresponding to those of their counterparts in large undertakings: 75.6 per cent of unskilled labourers are paid a wage equal to or higher than that of the same category of worker in the formal sector (800 ouguiyas); the corresponding figures are 73 per cent for skilled manual workers (1,400 ouguiyas) and 93 per cent for non-manual workers, of whom 60 per cent are paid at least the wage of a junior employee (950 ouguiyas) and 33 per cent that of a managerial employee (2,775 ouguiyas).

When one considers the conditions in which large segments of the population of developing countries exist and one notes that informal sector incomes provide a livelihood for thousands of people¹⁰ (heads of undertakings have six dependants each on average), it must be recognised that this sector not only acts as an invaluable shock absorber smoothing out the jars and jolts of the development process, but also plays a role of great intrinsic importance for all those who have deliberately chosen to work in it.

Other economic aspects

The dynamism and economic potential of the informal sector in Nouakchott are far from negligible. The survey enabled us to calculate the gross fixed assets of the undertakings in our sample. For the upper tenth they average 1,330,380 ouguiyas in manufacturing, 1,212,700 in services and 3,010,000 in building; half of these entrepreneurs have assets of at least

22,000, 24,000 and 130,000 ouguiyas respectively. The value of the "equipment" possessed by the bottom 10 per cent of undertakings in these three sectors, however, is only 2,500, 1,580 and 1,000 ouguiyas. Our analysis also showed that 50 per cent of all the undertakings had an average annual rate of capital growth of more than 10 per cent and that only 8.5 per cent had a negative rate (though never more than 25 per cent). Another surprising feature is the fact that only 3.8 per cent of the entrepreneurs started their business with the aid of a loan (from banks, 1.5 per cent; from small moneylenders, 2.3 per cent), while for 84.7 per cent of them their starting capital was derived from personal savings and for 1.5 per cent it was provided by their families. The proportions are more or less the same for the source of money used to expand the undertaking. This is confirmed by the fact that, after deducting the entrepreneur's personal weekly profit and his outlay for housekeeping and assistance to the "extended family", 78.7 per cent of entrepreneurs still have a balance in hand with which to effect additional investments.¹¹

These facts reinforce our earlier comment that the informal sector in Nouakchott is not merely a refuge for the unemployed. To be sure, approximately 12 per cent of the undertakings have operating difficulties and do not generate sufficient profits to remain viable for long; these will have either to expand or to go out of business. The others, however, some of which have been established for several years (33.9 per cent have been operating for more than five years and this phenomenon is not confined to Nouakchott¹²), make just as real a contribution to the economic life of the country as they do in other African States. The survey findings show that, in the country's non-mining industrial activities, the Nouakchott modern informal sector produces a value added equivalent to 8 per cent of that of the corresponding formal sector. On the basis of a comparison with the situation in another African town whose development has been smoother since it has not been faced with the problems caused by the desertification of the Sahel, we concluded that the size of this share ought to increase in manufacturing and services since the demand for their products should continue to rise. In addition, with natural resources in short supply and small undertakings rarely able to recycle or procure raw materials by their own devices, the informal sector constitutes an important market for formal sector trade amounting to around 400 million ouguiyas a year.

Some may think that these figures are too large to be truly representative of an unorganised sector. The fact is, however, that we are dealing with a very specific economic phenomenon. Labour productivity, which is fairly uniform whatever the size of the undertaking, is only some 30 per cent of that in the corresponding formal sector. On the other hand, the cost of equipment and materials per job created is on average barely 5 per cent of the corresponding cost in the formal sector. In addition, the greater the investment in machines and equipment, the more the productivity of these fixed assets decreases. These facts show that, despite the fairly high number of jobs provided and the quite appreciable capital investments made by some of these undertakings, manage-

ment techniques are inadequate and do not measure up to the generally accepted criteria regarding the organisation and functioning of a modern business. The fact that the capital used originates mainly inside the informal sector itself is yet another indication that we are dealing here with a very special form of economic organisation, operating in a closed circuit, which is not to be confused with the large modern undertaking.

Furthermore, informal sector enterprises in Nouakchott cater mainly to the needs of the low- and middle-income groups, as well as of other small workshops, by offering goods and services which would not as a rule be available otherwise. This is particularly true in manufacturing, where the average sales to this type of consumer amount to 91.3 per cent of the total, and in services, where the figure is 89.5 per cent. Even in building, where we have already noted a larger scale of operation than in the other sectors, the proportion still amounts to 69.7 per cent. This particular function performed by the informal sector is without doubt its most important—and not just in terms of the size of its economic contribution. It is precisely the originality of this function of providing a personalised service that in many cases enables the informal sector to remain competitive with the formal one, since the latter's products, although no doubt better finished, are intended for a wider market (and sometimes even for export) and for that reason may be less suited to local tastes.

Entrepreneurs' problems and preferences

Judging from the findings of the survey, it seems clear that an integrated development policy ought to give due weight to the potential of the informal sector. It was with this in mind that we included a number of questions concerning the problems and preferences of small entrepreneurs.

Generally speaking, the main problems they reported were as follows: the lack of steady markets and an insufficient volume of sales—this was the main problem for the building sector; the lack of capital; and the very high cost of equipment. No mention was made, however, of competition from the formal sector, the shortage of skilled manpower or raw materials, or even the entrepreneur's own lack of training. Given the importance attached to problems with obvious financial implications, we analysed these replies in the light of differences in the level of investment.

Contrary to the widely held view that the remedy for the ills of the informal sector would be an injection of fresh capital by the State, we found that only 40.5 per cent of the entrepreneurs in Nouakchott complained about the shortage of capital and the high cost of equipment. Furthermore, 50 per cent of these were in the category of undertakings that already possessed a reasonable level of fixed assets (though with a much lower productivity of capital than that of the formal sector). The survey shows, moreover, that there is a growing—though unfortunately still insufficient—awareness among the entrepreneurs

of the management and marketing problems that an increase in production capacity entails. As a general rule, the bigger undertakings correctly see sales as the critical problem and the same applies to the very small undertakings whose day-to-day survival depends on the day's takings. It has already been pointed out that, even as regards capital equipment, the better-off undertakings have been able to invest mainly by drawing upon the entrepreneurs' own funds, so there are no grounds, in Nouakchott at any rate, for clinging to the myth that financial assistance automatically fosters the development of the informal sector.

What most of these undertakings mainly need is either help in expanding and stabilising their sales—this holds good whatever the scale of operation—or else assistance in the field of management, particularly in the case of entrepreneurs possessing a sizeable amount of machinery and equipment. This latter point was amply illustrated by an analysis of management techniques which revealed, for instance, that only 14.5 per cent of the entrepreneurs knew how to break down their production costs correctly.

Although in the course of the interviews some 70 to 80 per cent of the entrepreneurs declared themselves to be in favour of assistance from the State, even accompanied by various controls, or through co-operatives, various forms of assistance should be tried out before any final decision is taken on the best means of supporting small undertakings. It was found for example that while, in reply to other questions, 90 to 100 per cent of the entrepreneurs in Nouakchott welcomed the idea that courses should be organised to train them in management techniques or the use of new technology or equipment, approximately 70 per cent of them opted for types of assistance which did not entail a group contact with the training body. Almost half showed a preference for personalised assistance by peripatetic instructors and 20 per cent mentioned the desirability of training by such means as radio, television and programmed instruction. The acquisition of new skills in a training centre—whether organised by the State or by the small entrepreneurs themselves—was a method preferred by only 27.5 per cent of the respondents.

Such a result is indicative of the deep-seated individualism which characterises informal sector activity. This individualism is also revealed by the fact that 41.2 per cent of the entrepreneurs stated that they do not seek anybody's help when they have business problems, while another 45.1 per cent turn only to a relative or a friend.

In organising a programme of assistance to the informal sector one must therefore bear in mind the fact that procedures which restrict the freedom of action and resourcefulness of small undertakings run the risk of being met with indifference or even downright rejection. This does not mean that all assistance has to be suspended but it justifies keeping its cost at a modest level, both to avoid interference with the specific dynamics of the informal sector and to prevent the resources of the State being drained to finance projects which must necessarily remain tentative and experimental for a long time to come owing to lack of experience in this field.

III. Concluding remarks

It is of course too soon to seek to generalise from the findings for the informal sector in Nouakchott: they will have to be verified against those that emerge from the surveys being conducted in other countries. Nevertheless, a number of findings seem to justify the long-standing attention paid to the informal sector in the World Employment Programme. The results bear out the employment and training potential of this sector which were first emphasised by the ILO as far back as 1972 in connection with the research carried out in Kenya.¹³

Generally speaking, the survey also showed that the economic behaviour of small entrepreneurs does not differ fundamentally from that observed in the modern formal sector even though the two groups occupy different rungs of the economic development ladder. Our observations tend to confirm the existence, as in the formal sector production function, of a residual factor which can be explained, amongst other things, by differences in training. Similarly, our analysis shows that rises in the level of capital investment by these undertakings are accompanied by a steady increase in their capital/labour ratio, which probably indicates an intuitive understanding by these small entrepreneurs of how to secure the most profitable mix of production factors.

All in all, the informal sector, by giving productive employment to a sizeable proportion of the urban workforce and stimulating the development of both economic activity and skills, must not be underestimated as a factor in the struggle against poverty and unemployment. When one realises the difficulties involved in just keeping body and soul together in some developing countries, where even basic needs too often go unmet, one cannot help being struck by the potential which seems to exist in this sector and one can only hope that future economic development and manpower planning policies will take this into consideration.

Notes

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² This programme is financed with the assistance of the technical co-operation branch of the Swiss Foreign Ministry and is being carried out in collaboration with the Institute of Development Studies, Geneva University. It also enjoys the support of the Belgian technical co-operation branch, which has made available the services of two associate experts. For further details see G. Nihan: *Formation, emploi et productivité dans le secteur non structuré urbain: une étude prospective* (Geneva, ILO, 1976; mimeographed World Employment Programme research working paper; restricted). The other studies to be carried out under this programme will deal with Yaoundé (United Republic of Cameroon), Bamako (Mali), Lomé (Togo) and Kigali (Rwanda).

³ For the technical details see R. Jourdain: *Analyse préliminaire des résultats du recensement du secteur non structuré de Nouakchott, République islamique de Mauritanie*; and G. Nihan, in collaboration with D. Dviry and R. Jourdain: *Le secteur non structuré « moderne » de Nouakchott, République islamique de Mauritanie : rapport d'enquête et analyse des résultats* (Geneva, ILO, 1977 and 1978 respectively; mimeographed World Employment Programme research working papers; restricted).

⁴ Figure estimated by applying to the 1977 Nouakchott census the participation rate calculated for the population in 1973.

⁵ At the time of the survey the rate of exchange was 100 ouguiyas = US\$ 2.06.

⁶ To compare the results achieved by small entrepreneurs with different training we used as indicators the productivity of capital and labour and the profitability of the individual undertakings. A detailed analysis is given in the technical paper.

⁷ The survey covered 131 undertakings divided into two separate samples. A variance test showed that there was every reason to suppose that these samples were representative of the target population.

⁸ That is, building and public works, services, and industries other than mining and fishing. The various figures quoted for the modern formal sector were obtained from Ministère du Plan et du Développement industriel de la République islamique de Mauritanie: *Éléments macro-économiques relatifs à la situation de l'économie mauritanienne* (Nouakchott, 1977).

⁹ As a rule they had been active not in petty trading but in a profitable business since, out of the 16 entrepreneurs who had a starting capital of more than 250,000 ouguiyas, eight had been engaged (in their last—or sole previous—job) in a commercial activity which in most cases, according to their own statements, appears to have been the source of their business capital.

¹⁰ This point was made in the report of the ILO mission sent to Kenya in 1972 under the World Employment Programme (ILO: *Employment, incomes and equality : a strategy for increasing productive employment in Kenya* (Geneva, 1972)). See also Nihan: *Formation, emploi et productivité . . .*, op. cit., p. 15.

¹¹ Similar findings have been made by other research workers. Thus surveys carried out in Freetown and Kumasi showed that only 1 and 1.4 per cent of entrepreneurs in the informal manufacturing sector had obtained bank loans. See G. Aryee: *Small-scale manufacturing activities : a study of the inter-relationships between the formal and the informal sectors in Kumasi, Ghana*; and D. A. Fowler: *The informal sector of Freetown (Sierra Leone)* (Geneva, ILO, 1977 and 1978 respectively; mimeographed World Employment Programme research working papers; restricted).

¹² In Kumasi 62.9 per cent of informal sector manufacturing undertakings have been established for five or more years; in Freetown the proportion is 41.5 per cent.

¹³ See ILO: *Employment, incomes and equality . . .*, op. cit.