

The modern informal sector in Lomé

Georges NIHAN, Erik DEMOL and Comlavi JONDOH*

In setting up its Research Programme on Skill Acquisition and Self-Employment in the Urban Informal Sector of Francophone Africa,¹ the ILO had two aims in mind. The first was to obtain, by means of systematic data collection and analysis, a clear picture of how this sector functions. The second was to draw up, on the basis of the information thus acquired, concrete recommendations to the governments of the countries concerned (United Republic of Cameroon, Mali, Mauritania, Rwanda and Togo) regarding new policies to develop the employment and training potential of a hitherto frequently neglected economic sector—with the needs of young educated jobseekers particularly in mind.² The findings of the survey on the informal sector in Nouakchott, the capital of Mauritania, have already been described in this *Review*;³ in the following pages we shall discuss the results of a study on the situation in Lomé which the Togolese Ministry of Planning and Industrial Development requested the ILO to carry out within the framework of its World Employment Programme.⁴ In a third and final article we shall review the over-all results of the research programme.

Following the procedure adopted in the earlier surveys, our study on Lomé began with an exhaustive census of the informal sector conducted in October and November 1977. In order to obtain a comprehensive picture of this sector all categories of activity were covered, including commerce. The sample survey of the categories thought to be the most dynamic was carried out in April and May 1978. The activities selected in this case were woodworking, metalworking, building, and mechanical and electrical repairs (the numerical data are given in the Appendix). These activities make up what we call the “modern” informal sector, thus termed because it produces goods and services similar to those of the modern formal sector and for which consumer demand may be expected to expand if

* ILO official; associate expert, ILO Office in Dakar; and statistician, Ministry of Planning and Industrial Development in Togo, respectively. The authors wish to thank Michel Carton, Head of Research at the Institute of Development Studies, Geneva University, for his contribution to the study of the problems of non-formal training and his help in formulating the resulting “considerations”. They are also grateful to David Dviry, of the ILO, who carried out the necessary data programming and processing.

appropriate steps are taken to improve the undertakings' productivity and quality standards.

The following section describes the main findings of the initial census and survey. The second part of the article summarises the considerations that went to shape the programme of action submitted to the Togolese Government.⁵

The findings

The census⁶ enumerated a total of 23,824 informal economic units in Lomé. If wage earners and apprentices are also taken into account,⁷ it can be estimated that at least one-fifth of the economically active population is engaged in informal sector activities.

An initial analysis of the results of the survey⁸ enabled us to identify in some detail the part played by the modern informal sector in Lomé as regards both employment and apprentice training as well as the incomes derived from this type of activity. As a whole the sector is expanding in respect of both the employment generated and its level of capital investment. However, the rate of expansion is slow, partly no doubt because of limited room to manoeuvre but also because the technical and financial management of the undertakings is still at a rudimentary stage—even in those that have invested heavily in equipment—with the result that growing capital intensity produces serious productivity problems. These problems could become even worse if the apparent satisfaction of the more capital-intensive entrepreneurs with their present—often considerable—profits were to destroy their will to introduce more advanced production methods. Such attitudes could in the long run jeopardise the survival of a sector which is in danger of missing its chance to develop into a “national” small or medium-scale enterprise sector capable of competing with the large-scale firms in the rapidly expanding modern sector.

In the short term, however, the diagnosis that emerges is far from negative: this sector, without obstructing the modern formal sector, performs an important training and income-generating function for the vast majority of those engaged in it (this was also the conclusion of the study carried out in Nouakchott). It also represents an intermediate stage of development which, if skilfully handled, could become a quite important component of the policy, outlined in the 1976-80 Plan, of “developing labour-intensive sectors and technologies”.

The survey revealed that there were 3,586 apprentices in the modern informal sector.⁹ It should be noted, however, that they make up 88 per cent of the employed workforce in these undertakings, which raises the possibility of their being used as a source of cheap labour. The conclusion to which our analysis leads, while not underestimating that danger, is that there is also much to be said in favour of this type of apprenticeship. For example, it was found that as many as 84 per cent of the apprentices

covered by our investigation were trained under conditions that may be described as satisfactory. This positive assessment is confirmed by the fact that entrepreneurs who served an apprenticeship in this sector—i.e. 96 per cent of them—run their businesses just as productively as entrepreneurs who were trained in a vocational centre or in the formal sector.¹⁰ We have here, then, a traditional and inexpensive training process which performs an important function as a preparation for self-employment and at the same time acts as a springboard to employment in the modern formal sector since one-third of former informal sector apprentices were able to find jobs in the formal sector at some stage of their working lives.¹¹

The modern informal sector provides employment at the present time for 1,863 craftsmen entrepreneurs and 87 partners actually working in the undertakings. Contrary to what has often been said in the past, such employment is far from being unsteady. The average life of the undertakings is 5.9 years and 57.5 per cent of them have been in operation for at least four years. In addition to the 1,950 jobs thus created there are also 483 wage-earning employees, 450 of whom are skilled workers, which brings the total "permanent" labour force (i.e. excluding apprentices) up to 2,433. If we compare this figure with the 12,000 or so jobs in manufacturing, services and building in Togo, it can be seen that the modern informal sector in Lomé provides employment for the equivalent of 20 per cent of the workforce in the formal sector throughout the country, without the benefit of the capital resources invested in large-scale industry. If the number of apprentices is added, the proportion rises to the equivalent of 50 per cent of employment in the formal sector.¹² Assuming a stable market, the number of jobs in the modern informal sector will continue to rise, if slowly, at a rate of about 2.5 per cent a year, with skilled employment tending to increase more rapidly since its weighted average rate of growth is greater than that of the apprentices (9.5 and 3.4 per cent respectively). Nevertheless, this 9.5 per cent rate only applies to a numerically small group, so the informal sector cannot be expected to resolve the whole problem of youth unemployment. Nor can the observed growth in this sector as measured by the establishment of new undertakings be expected to produce any radical change in the situation: its annual rate of growth was estimated at approximately 5 per cent on the basis of the census and survey findings.¹³ Assuming that these trends continue, one can expect an annual increase in the modern informal sector of approximately 270 apprenticeships and 160 productive jobs in the short run.¹⁴ These figures are merely indicative, but they show clearly enough that the sector's contribution to the solution of the employment problem is important without, however, being sufficient in itself.

Participation in the modern informal sector is far from being a form of disguised unemployment; taking into account their levels of skill, 72.9 per cent of the entrepreneurs probably make a better living than they would if they worked in the modern formal sector, which makes it easier to

understand why 64 per cent of those who had an occupation prior to the present one moved back from modern sector wage-earning employment to artisanal activity; 82.5 per cent (88 per cent in Nouakchott) earn incomes equal to or greater than the guaranteed inter-occupational minimum wage (SMIG) and the same applies to 68.6 per cent of the wage earners (73 per cent in Nouakchott). The wages of apprentices—on average 17.8 per cent of the SMIG—should not be analysed in the same context since their status is quite different.¹⁵

The social contribution made by the modern informal sector is important for the city. Its undertakings cater mainly to the needs of the low-income groups, artisans and petty traders, with whom the volume of business amounts to 56.1 per cent of their turnover, while sales to public employees and workers in the modern sector make up another 40 per cent. Its contribution to the economic activity of the country as a whole is no less striking. Confining ourselves to activities for which data are available in the formal sector, the value added in woodworking in the informal sector of Lomé, for example, is 28.5 per cent of that produced by modern sector woodworking throughout the country, the corresponding figure for repair services provided for households and individuals being 10.6 per cent; taking Lomé on its own, the ratio rises to more than 350 per cent for woodworking and is still 28 per cent for the building trades. And yet these results are achieved on the whole with a relatively low level of capital investment: half the undertakings possess capital assets with a current value estimated at less than 62,000 francs CFA,¹⁶ with the over-all average approaching 200,000 francs CFA only because one group of undertakings (those composing the top decile of the survey distribution) own equipment valued at over 500,000 francs CFA. This investment, which originates within the sector itself (normally personal savings for starting capital and self-financing for subsequent development), has produced a weighted average rate of increase in fixed assets of 5.7 per cent a year and even 8.4 per cent in the case of the top decile. The self-financing capacity is considerable, since after outlays for housekeeping and assistance to the extended family are deducted¹⁷ 80 per cent of the entrepreneurs still have a balance of at least 50,000 francs CFA a year for further investment and 50 per cent are left with 157,000 francs CFA or more, which goes to show that there is a disparity between many entrepreneurs' capacity to invest and their propensity to do so.

These figures confirm the special place occupied by the modern informal sector in the Togolese economy, where it has carved out a market of its own and enjoys a relative independence of commercial and industrial capital. Most of its undertakings seem to be operating in a fairly satisfactory manner; the fact, however, that there does not seem to be any clear indication of its prospects in the medium and long term suggests that it has not adopted the forward-looking approach to development found in the large modern undertakings.

Generally speaking, the findings show clearly that the main problem facing the informal sector arises out of its very rough and ready methods of enterprise management and price fixing.¹⁸ The standards of technical management and book-keeping are pretty poor whatever the level of capital investment. Out of the 280 entrepreneurs covered by the survey, only 15 (5.4 per cent) state that they devote any time to book-keeping (an average of 3.3 hours a week). Moreover, only 20.7 per cent keep a record of receipts and expenditure and 2.5 per cent more sophisticated accounts; and although 52.5 per cent state that they calculate their production costs, only 1.1 per cent can break them down correctly—mainly because a bare 2 per cent of all entrepreneurs take depreciation into account.

An improvement in economic behaviour can be observed to take place as the undertakings' level of capital investment rises. The effects are particularly noticeable in the best equipped group: 60 per cent of entrepreneurs in the top decile keep a record of receipts and expenditure and 18 per cent keep more elaborate accounts. There is thus a certain awareness of the need to organise the undertaking along more sophisticated lines as its capital assets increase. This conclusion, however, is placed in its true perspective when one adds that only 20 per cent even of this group state that they devote time to book-keeping (2.6 hours a week on average), while none of them has an employee to assist with this work. It is scarcely to be wondered at, then, that even in this group only 8 per cent are able to identify with precision the components of their production costs and only 13 per cent allow for depreciation. Nor, it should be noted, are these entrepreneurs any different from their less capital-intensive colleagues in the field of work organisation.

Technical management seems to stand in just as much need of improvement: labour productivity in the modern informal sector is low in all the various sizes of undertakings compared with the modern formal sector. Depending on the category of activity, it ranges between 14 and 55 per cent of that of the corresponding large undertakings in Lomé. Moreover, heavier investment in machinery and equipment seems to be accompanied by a disproportionate decline in the productivity of capital considering the meagre improvement in labour productivity resulting from the increase in capital intensity.¹⁹ Furthermore, the fact that the entrepreneurs' propensity to invest is lower than their self-financing capacity could cause problems in the long run for these undertakings since competition from the large modern firms seems bound to increase, thus reducing the small entrepreneurs' room to manoeuvre in a market which 66 per cent of them already describe as irregular and providing an insufficient volume of sales.

Although so far the majority of the undertakings operate satisfactorily—only 13.6 per cent report frequent selling at a loss—this can mainly be put down to the fact that the formal sector is not well developed in the corresponding production fields. The corollary to this is that the market

still has room for the small undertaking if it can improve the quality of its products. However, as the survey showed, this possibility is seriously compromised by an underlying weakness that is characteristic of the informal sector's difficulties in adjusting to a changing market. Quite apart from the constraints arising out of behaviour patterns conditioned by a socio-cultural environment which is not always receptive to modern ideas,²⁰ there is no denying that the sector's low standards of technical and financial management and book-keeping are due to inadequate education and training. Twenty-five per cent of the entrepreneurs are illiterate, 18.6 per cent have at most three years of primary schooling, and only 5 per cent have attended secondary school, which means that the majority of them would be incapable of applying advanced management methods unless they received specially designed training. Future prospects are equally disturbing when one realises that 36.2 per cent of present apprentices are illiterate.

To sum up, the informal sector in Lomé provides opportunities for the absorption of thousands of unemployed young people; it gives productive employment to a sizeable body of workers who would be looked upon as unskilled in the formal sector; it stimulates the development not only of economic activity but also of skills and the use of appropriate technology; and it assists the redistribution of income. It is essential that these unique characteristics be preserved, but this must not imply stagnation; on the contrary, it is important to promote the dynamism of the informal sector and its gradual metamorphosis into a national modern sector still firmly anchored in the country's distinctive social, economic and cultural fabric. This is, moreover, a prerequisite for the efficient functioning of the Economic Community of West African States, of which Togo is a member.

Considerations underlying a programme of action

The following paragraphs discuss some of the considerations which should be taken into account in devising a programme of action to strengthen the economic potential of the informal sector and its capacity to provide employment and training. It should be kept in mind that the proposals made here only concern the modern informal sector in Lomé since it is by no means certain that they would be appropriate, or even desirable, for activities not covered by the survey such as tailoring and various types of commerce or, more particularly, traditional handicrafts. On the other hand, they are probably adaptable in most cases to artisanal production, services and construction in the country's secondary urban centres, where it will be even more necessary to take them into account, in one form or another, as regional development projects get under way.

1. Traditionally, assistance for the development of informal sector activities has been provided through the setting up of special (usually state-

run) bodies. By their very nature, these institutions are ill-adapted to the dynamics of the informal sector since the reasoning behind their establishment is to a large extent alien to the very principles on which this sector functions. It is not surprising, therefore, that such institutions generally meet with nothing but indifference on the part of the small entrepreneurs and even the apprentices.²¹ In fact, the survey showed that more than 35 per cent of the entrepreneurs prefer not to receive any assistance rather than see the State meddle with their affairs. In addition, almost 70 per cent want direct help without having to go through some type of official co-operative body. Combining these two responses, it is found that 81 per cent of the entrepreneurs express a clear preference for non-intervention by the State in any assistance to be given them. And indeed, when these entrepreneurs are in difficulty, they hardly ever use the official forms of assistance open to them; more than half of them turn to relatives or friends and the remainder rely entirely on their own resources. Assistance provided through co-operatives meets with the same mistrust, possibly because pre-co-operative experiments in the rural areas of Togo have exposed the many difficulties that this type of organisation can give rise to. Be that as it may, fewer than one-third of the entrepreneurs questioned showed any interest in this form of assistance. In fact, the only type of assistance whose acceptability received almost unanimous endorsement—90 per cent of the responses—was the setting up of a mutual aid association by the entrepreneurs themselves.

2. The programme of action, if it is to be consistent with the results of our analysis, should avoid any systematic recourse to the oft-recommended solution of injecting fresh capital and granting widespread access to credit facilities, which are supposed to promote rapid business expansion. A first reason for this is that the spirit of free enterprise is diametrically opposed to interventionism of this sort in an economic system where the capacity for self-financing in any case exceeds the propensity to invest and where only 5 per cent of the entrepreneurs have tried to obtain a bank loan. Secondly, the informal sector schools people in the spirit of enterprise and it helps to develop entrepreneurs capable of entering the new type of national modern sector mentioned in the preceding section. Any sudden injection of capital could endanger this process: it would probably encourage the accelerated development—alien to a system which has stood the test of time—of a few privileged enterprises; it would penalise the other small undertakings which would then find their share of the market and their capacity for self-financing considerably reduced; and it would thereby jeopardise the modern informal sector's unique contribution to national economic development. Thirdly, the accumulation of capital assets increases the danger of bad management, particularly since it is not easy to give these undertakings technical advice or monitor their use of credits: our analysis showed that management shortcomings, not only at the technical level but also as

regards financial management and book-keeping, kept the productivity achieved by the undertakings with the largest capital investments at levels no higher than those observed in the smaller firms.

3. As far as the content of training is concerned, the additional skills needed by apprentices, employees and entrepreneurs are not all that technical or specialised. What is important, though, is a natural ability to communicate knowledge and adapt it to the specific environment in which it will be used. For apprentices and entrepreneurs who have not acquired or kept up the minimum skills needed for successful entry into the informal sector, one can rule out literacy training or the teaching of technical skills by formal methods following regimented and institutionalised programmes. As far as the entrepreneurs are concerned, one can only repeat that any training by marketing or management experts, for example, would be vitiated by its sheer technicality. Skills of this type are suitable for undertakings that have achieved a certain specialisation in the various management functions, which is far from being the case, as the survey showed, of enterprises in the informal sector. Moreover, the entrepreneurs' pragmatic approach precludes the rapid change-over to such specialisation that is necessary if the skills imparted by this type of training are to be any use. Besides, a change of this sort would not be desirable, for just as any increase in investment that is "accelerated" by outside intervention would no doubt upset the functioning of the informal sector, so a sudden reform of management methods would also upset the internal organisation of the undertakings and hence their versatility, which is where their prime contribution to the national economy lies.

4. Our observations confirm the various writings on the contribution of appropriate technology to economic development. Nevertheless, neither this literature nor our research findings to date are able to come up with really satisfactory guidelines for making concrete proposals. In synthesising the results of our research programme we shall take a closer look at the question of the production function in the informal sector with special reference to the optimisation of the capital factor. It is by no means certain, however, that the enterprises in the informal sector have much to boast about in this respect. In addition, the notion of appropriate technology itself is a recent one which—at least in Africa—has not really been put into practice as yet through the manufacture of equipment complying with the relevant technological criteria. The lack of this type of equipment no doubt explains why the production function of the enterprises covered by the survey, which have widely varying levels of capital investment, is not evolving in a homogeneous manner. In woodworking, for example, any qualitative change in production now requires a technological leap—from the joiner's plane to the multi-purpose combine—causing disruptions in the production and marketing functions such as could jeopardise the economic survival of the undertaking.²² To be really appropriate, action in this field

should therefore be rooted in the existing technical environment and, as far as possible, should take into account the local capacity to develop, build and use the equipment in question. Only in this way will it be possible to avoid the sudden drop in the productivity of capital observed in Lomé (as well as in the other cities covered by the research programme).

5. To sum up, it will be observed that a number of factors are closely inter-related. The fullest possible control over the production function is needed to ensure the undertaking's versatility; it is also a major advantage in imparting diversified skills and making apprentices aware of management problems. By the same token, the training designed for entrepreneurs should lead to an improvement in the organisation and management of the undertaking, without cutting off the craftsmen from the production process; the same reasoning indicates that it is inadvisable to accelerate the growth of the undertaking's capital assets, since this would necessitate a division of tasks which runs counter to the very essence of the informal sector. Any programme of action bearing on the various production factors and their management must therefore be inspired by a coherent approach taking all these factors into account.

6. Since action must be focused on the undertakings as self-contained units, it must be organised within an institutional framework which is in keeping with that in which the undertakings themselves operate. It must therefore utilise the human, material and technical resources available within the informal sector, while also attempting to muster and organise resources that are external to it. Any decision to establish assistance mechanisms for the informal sector will, in the last analysis, be guided by the thought that whatever help is provided must necessarily be selective and temporary, aimed at promoting a system which has stood the test of time but which, given the scale of the problems that developing countries will face in the long term, will be called upon to increase its contribution and needs to be strengthened accordingly.

Concluding remarks

A number of facts emerge from our diagnosis of the informal sector in Lomé. As was the case with our study of Nouakchott, the modern informal sector appears to offer an employment and training potential that national policy-makers cannot afford to ignore. Nevertheless, unlike the situation in Mauritania, the way the undertakings operate raises some doubt as to their capacity to adapt in the face of a modern sector whose share of the market is still small at the moment but will probably rise rapidly. The situation therefore warrants assistance being given to these undertakings but the actual modalities of such action are complicated. The optimism currently displayed by the "evolutionist" school of thought is supported by very few

if any examples of successful programmes in this field.²³ That is why the recommendations made to the Togolese Government stressed the constraints discussed in the preceding section and suggested the setting up of an experimental unit with the initial task of carrying out a detailed feasibility study. The main object of this operation would be to verify by a

Appendix

Estimation of certain characteristics extrapolated to the parent population¹ of the modern informal sector in Lomé

Type of activity	Apprentices	Regular employees ²	Entrepreneurs ³	Partners working in the undertaking	Total of cols. 1 to 4	Weighted average annual rate of employment growth ⁴
	(1)	(2)	(3)	(4)	(5)	(6)
<i>Production</i>	1 324	383	747	56	2 510	1.8
Woodworking	816	334	575	56	1 781	0.7
Metalworking	508	49	172	—	729	4.7
<i>Services</i>	1 835	84	827	26	2 772	3.9
Vehicle repairs	1 435	84	552	26	2 097	5.1
Electrical repairs	359	—	158	—	517	2.4
Small-scale engineering	41	—	117	—	158	-0.8
<i>Building</i>	427	16	289	5	737	1.9
Building trades	233	16	130	5	384	3.6
Subcontractors	194	—	159	—	353	-1.1
Total	3 586	483	1 863	87	6 019	2.6

¹ Figures calculated from the survey data as analysed in G. Nihan, E. Demol, D. Dviry and C. Jondoh: *Le secteur non structuré "moderne" de Lomé, République togolaise. Rapport d'enquête et analyse des résultats* (Geneva, ILO, 1978; mimeographed World Employment Programme research working paper; restricted). ² Manual workers, skilled or not, plus seven junior employees. In Lomé there were no family helpers or day-labourers in the undertakings surveyed. ³ Figures equivalent to the number of undertakings. ⁴ The average annual rate of growth for each undertaking was calculated using the following formula:

$$\delta_i = \sqrt[y_i]{\frac{N_{it_n}}{N_{it_0}}} - 1,$$

where N_i is the number of workers in each undertaking, t_n the year in question, t_0 the year in which the undertaking was set up and $y_i = t_n - t_0$. (It was possible, by means of the survey, to determine the number of workers employed by the undertaking at its launching and at the date of the survey.) The average rate of growth for each type of activity was weighted by the number of workers in the undertaking, calculated at its median point of growth, and by the number of years the undertaking had been operating, using the following formula:

combination of research and action the possibility of involving the entrepreneurs in the gradual development of mutual aid bodies which they would eventually be able to run themselves. This, in our view, is the only really concrete way of bringing about an improvement in the prospects of the informal sector.

Capital assets ⁵	Weighted average annual rate of growth of capital assets ⁶	Turnover ⁷ per annum	Raw materials used ⁷	Wage bill ⁷	Net trading results ⁷	Gross value added ⁷	Self-financing capacity ⁷
(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
200.4	5.3	1 221.0	721.2	83.2	346.8	445.7	219.7
163.5	5.9	957.0	559.5	67.5	280.0	360.2	172.6
36.9	2.5	264.0	161.7	15.7	66.8	85.5	47.1
130.2	6.5	1 155.1	700.8	39.2	316.8	366.1	224.8
107.1	7.3	742.7	436.5	32.8	209.0	249.6	141.0
20.1	7.3	354.4	236.0	5.4	83.6	90.6	63.9
3.0	-1.7	58.0	28.3	1.0	24.2	25.9	19.9
21.1	6.8	514.2	380.7	9.4	112.5	123.7	93.9
16.2	8.4	231.5	158.8	5.8	59.7	67.0	55.1
4.9	0.2	282.7	221.9	3.6	52.8	56.7	38.8
351.7	5.7	2 890.3	1 802.7	131.8	776.1	935.5	538.4

$$\delta_i = \sum_{j=1}^n \delta_j \cdot a_j \div \sum_{j=1}^n a_j$$

where $a_i = N_{i0}(1 + \delta_i)^{y_i/2} \cdot y_i$. ⁵ In millions of francs CFA. The capital assets were calculated from the estimates made by the entrepreneurs of the real resale value at current prices of their tools, materials, furniture, machines, vehicle(s), land and workshop; the calculation therefore takes into account the depreciation of the equipment since its purchase. Separate estimations were made for each of these headings. ⁶ Rate of growth calculated by using a formula similar to the one used for employment. The value of the starting capital assets was estimated from the resale value at current prices, without therefore taking into account depreciation since the purchase of the equipment owned by the undertaking at its launching. ⁷ In millions of francs CFA. It was possible to calculate these variables with a fair degree of accuracy, thanks to the wording used in the questionnaire, for normal, good and bad weeks, reduced to the average week on the basis of the distribution of these weeks over the year and finally estimated for the year by multiplying by the number of weeks during which the undertaking operated. The following variables were taken into account: turnover and raw materials estimated for the three types of week, the wage bill (payments in cash and in kind for each worker per average week over the year), working expenses (electricity, water and other overheads per average week), rent plus charges for depreciation and taxes. No loan charges were included since not applicable (see the technical document cited above, especially pp. 25, 62, 65, 109 and 110).

Notes

¹ This research programme is financed with the assistance of the Swiss Technical Co-operation Agency; it also benefits from the services of two associate experts made available by the Belgian Technical Co-operation Agency and receives a major contribution from the participating African States, which agreed to supply the census takers, technical assistants and material resources needed for the field research. It also draws on the work done by the research group of the Institute of Development Studies, Geneva University, which in association with the ILO has been carrying out investigations in the area of non-formal training.

² For example, the Lomé action programme was drafted in close collaboration with a government advisory group which met on four occasions and brought together representatives of the Ministry of Planning and Industrial Development, the Ministry of Labour, the Ministry of National Education, the Ministry of Social Affairs (National Literacy Centre) and the National Confederation of Togolese Workers.

³ G. Nihan and R. Jourdain: "The modern informal sector in Nouakchott", in *International Labour Review*, Nov.-Dec. 1978, pp. 709-719.

⁴ The authors wish to thank Mr. Eklou-Natey, Director-General of Planning, for his valuable support. They are also grateful to Mr. Sangbana, Director of Labour, and Mr. Dovi-Gaba, Assistant Secretary-General of the National Confederation of Togolese Workers, for the interest they took in the survey.

⁵ For further details see G. Nihan, M. Carton, E. Demol and C. Jondoh: *Le secteur non structuré "moderne" de Lomé, République togolaise. Esquisse des résultats de l'enquête et programme d'action* (Geneva, ILO, 1978; mimeographed World Employment Programme research working paper; restricted). The results are presented here in an aggregate form both for reasons of clarity and because the trends described are basically the same in the various categories of activity analysed.

⁶ For the technical details see E. Demol: *Analyse des résultats du recensement du secteur non structuré de Lomé, République togolaise* (Geneva, ILO, 1978; mimeographed World Employment Programme research working paper; restricted).

⁷ There are no figures available on wage-earning employment and apprenticeship for the categories of activity not covered by the survey. However, they are unlikely to change the over-all picture much since the number of wage earners and apprentices in commerce, which represents 86.4 per cent of the activities not covered by the survey, is very small. The labour force participation rate is around 42 per cent according to Ministry of Planning estimates for 1975.

⁸ For the technical details see G. Nihan, E. Demol, D. Dvirny and C. Jondoh: *Le secteur non structuré "moderne" de Lomé, République togolaise. Rapport d'enquête et analyse des résultats* (Geneva, ILO, 1978; mimeographed World Employment Programme research working paper; restricted). The survey covered 280 undertakings, chosen at random. These were divided into three "strata" corresponding to the production, services and construction sectors, and two independent random samples were drawn from each of the production and services sectors. A variance test did not invalidate the representativeness of the samples and they were combined for subsequent data treatment.

⁹ We use, unless otherwise specified, figures arrived at by extrapolating the parameters of the survey to the parent population, i.e. all the small-scale undertakings in the census, since, as already mentioned, there are no particular reasons for doubting the representativeness of the sample.

¹⁰ The indicators used to arrive at this conclusion are the entrepreneurs' net profit, gross value added, and the productivity of labour and capital. The results were similar for Nouakchott.

¹¹ The value of such training is confirmed, moreover, by ILO studies on employment in the modern sector which find, inter alia, that educated young people do not bother to report to the Manpower Service of the Ministry of Labour to find a job in this sector as long as they have not acquired specific additional training through a "traditional" apprenticeship.

¹² This comparison may seem highly biased, given the relative weight of apprentices in the percentage thus calculated. Apart from the fact that the modern sector uses apprentices as well, the question arises here of the relative importance of training and production in an apprenticeship post. It is clear that all apprentices participate in a very real sense in the under-

taking's work, but this does not mean that they are simply an exploited workforce, as some authors would have it. An implicit training cost is incurred by the heads of undertakings and paid back by the apprentices who accept a wage that falls below their productivity. The situation is equivocal, therefore, but it is characteristic of any human resources training programme which necessarily entails a trade-off between present and anticipated future benefits.

¹³ This rate takes into account the "entries" into the modern informal structure (undertakings which have been operating for one year at most, i.e. 15.8 per cent), and the "departures" from it (undertakings which had been enumerated in the census but had gone out of business by the time of the survey, six months later). Extrapolated to a full year, the result thus obtained enables us to estimate a "departure" rate of 10.8 per cent. As regards the weighted average rate of growth, the formula used can be found in the Appendix.

¹⁴ For 1979, for example, the projected figure based on the findings of the survey is 429, broken down into 122 apprenticeship posts and 46 skilled workers due to the natural growth of the undertakings, plus 149 apprenticeship posts, 19 skilled workers and 93 self-employed resulting from the launching of new enterprises. In calculating the last group of figures we extrapolated the average numbers of apprentices and workers that were estimated on the basis of the workforce employed by the undertakings in the survey at the time they were launched.

¹⁵ Contrary to what might be thought at first glance, there is no contradiction between the lower productivity of labour in the informal sector (a characteristic we shall consider in a moment) and wages that are competitive with those in the formal sector. Productivity in the formal sector is "biased upwards" by the high wages paid to expatriate staff and probably by profits as well, while in the informal sector it is "biased downwards" by the number of apprentices, which is generally greater than that found in the large enterprises, as well as by the type of equipment used.

¹⁶ At the time of the survey the rate of exchange was 100 francs CFA = US \$0.432.

¹⁷ Household expenditure includes rent, food, health care, clothing, transport, children's education and sundries. The average for the survey is 3,135 francs CFA per week (standard deviation: 2,351), with 50 per cent of the entrepreneurs spending more than 2,535 francs CFA per week. In addition, 25.4 per cent of them give assistance to the extended family amounting on average to 824 francs CFA per week. The average weekly household expenditure per person amounts to 475 francs CFA, which is close to the figure recorded in Bamako (1,055 Mali francs). These figures are not invalidated by the results of a family budgets survey conducted in Togo by the *Société d'études pour le développement économique et social*.

¹⁸ This point had already been noted by J. K. Hadzi—*L'artisanat dans le développement togolais* (Paris, Ecole pratique des hautes études, 1968), p. 66—who states: "In any event, however, the simple rules of enterprise management still baffle [the small entrepreneur]. Not only does he fail to appreciate the concepts of forecasting, co-ordination and planning (since he attaches no importance to economic time) but he also ignores the most elementary rules of management. Studies carried out by experts give grounds for thinking that these difficulties could be overcome; it must, however, be admitted that these notions do not have the same meaning to a *homo economicus* and to an artisan for whom economics is a direct function of social relationships."

¹⁹ In the same way the "yield" from investment—measured by the annual profit/assets ratio—decreases rapidly as the level of investment rises. Thus the group with the second highest level of capital equipment (valued at 200,000 to 500,000 francs CFA) receive an average return on capital of around 2 per cent while the top group (more than 500,000 francs CFA) get little more than 0.5 per cent. The fact that this return on capital is below that which the financial institutions of the modern sector could apparently provide does not seem particularly worrying to us inasmuch as the *true* rates obtainable in that way are not necessarily higher than those we have just mentioned.

²⁰ Which no doubt explains why the notion of profit maximisation plays only a marginal role in determining the attitude of the more capital-intensive entrepreneurs towards productivity. The survey showed that their profits rose less rapidly than their fixed assets.

²¹ The experience of the National Vocational Training Institute (NVTI) in Ghana, for example, clearly demonstrated the limits of attempts to improve the skills of apprentices working in the informal sector. Although the target population consisted of apprentices, the Institute was generally able to train only unemployed persons, since employers in the informal

sector were afraid of losing their apprentices to the formal sector, particularly since the instruction was given on oversophisticated machinery. See S. V. Sethuraman: *Employment promotion in the informal sector in Ghana* (Geneva, ILO, 1977; mimeographed World Employment Programme research working paper; restricted), p. 16.

²² Currently, in Lomé, informal sector undertakings sometimes use the services of a timber merchant or another small entrepreneur who owns a combine. Nevertheless, this entails loss of control over the production equipment and hence of the comparative advantage provided by operational flexibility and rapid adjustment to the needs of the market; these are important elements in the versatility of small undertakings, which gives the informal sector another advantage over the modern enterprise. In addition, the possible recurrence of this loss of control over the production apparatus at different levels could lead to the "proletarianisation" of the entrepreneur. Another solution would be to set up mutual aid associations, which apparently do not have the negative effects noted in the cases where equipment is hired. Nevertheless, the sophistication of this type of equipment generally raises technical management and accounting problems so that it is the best trained entrepreneur who gradually assumes responsibility for it; the other joint owners are thereby relegated to a sort of bureaucratic dependence in which they once again lose their comparative advantage.

²³ It is interesting to read the commentaries on this point in the special issue of *World Development* (Oxford) edited by R. Bromley on the theme: "The urban informal sector: critical perspectives" (Sep.-Oct. 1978). One should also remember the scepticism expressed by Hadzi, *op. cit.*, regarding the possibilities of intervention in a sector in which "economics is a direct function of social relationships", as mentioned in note 18 above.