

CHALLENGES TO YOUTH ENGAGEMENT IN INFORMAL ECONOMY IN ENUGU METRO

By

IJEOMA OGBONNE PAULINE* & JUDE ANI** IFEANYI E. IWUNDU[♠]

Abstract

Lack of gainful engagement of the young population is one of the serious social problems facing most African countries, if not the whole world. In Nigeria, for example, joblessness among youth has been identified as a timed bomb waiting to explode. Informal economy has been identified as useful activities that could help in engaging youth with corresponding benefits of economic diversification. However, it has been observed that there exist low youth engagements in the informal economy. There is paucity of literature examining challenges to youth engagements in the informal economy. Therefore, the objective of this study was to examine challenges to youth engagement in informal economy. A total of 385 youth will be sampled in Enugu State with the questionnaire as the instrument for data collection. Both descriptive and inferential statistics will be used to analyse data collected. It was found that challenges to youth engagement in informal economy range from finance to parental expectations. The researchers recommend, among others, that tertiary institutions in Nigeria should counsel youth on the importance their engagement of the informal economy.

Keywords: economy, unemployment, informal, engagement and youth

Introduction

Informal economy is essential for promoting economic growth and diversification. It is also important for wealth creation, poverty eradication, self-sustenance and dependence. Informal economy also has the potential of creating jobs and eventually reducing the number of applicants seeking for paid employment. Informal economy is particularly important in countries with high population figures. Chen (2012) avers that there is a reinvigorated interest in the informal economy all over the world mainly because many find their means of livelihood in the informal economy. Through the informal economy, many people earn their daily bread and become self-dependent. Horn (2009) says that there is a current global interest in the informal economy because. It offers job opportunities for many people, especially in times of economic challenges like recession. The informal economy currently employs more than two times the number of employed people apart from agricultural engagement in many developed countries (Vanek, Chen, Hussmanns, Heintz, & Carre 2012). The submission of Hon and Vanek et al show the global prominence that the informal economy is gaining. Schneider (2002) are of the view that the informal economy add 10-20% to the Gross Domestic Products (GDP) of in many advanced economies while in developing

* Institute of African Studies, University of Nigeria, Nsukka,
Ijeoma.ogbonne@unn.edu.ng

** School of General Studies, University of Nigeria, Nsukka

[♠] Institute of African Studies, University of Nigeria, Nsukka

economies., it adds as much as 60%. This implies that the informal economy plays a significant role in the economic activities of Nigeria (Chen Vanek & Carr 2004, 2005).

Nigeria is regarded as an informal economy. This is because many people gain employment opportunities in the informal sector. The informal sector also has more possibility for employment than the formal sector. This is because the rate of industrial growth in Nigeria is very slow. New industries are not springing up, rather, some are folding up as a result of a harsh operating environment. More and more graduates are joining the labour market without corresponding openings in the formal sector to accommodate them. This sad reality makes the informal economy the last hope of such graduates. Those without formal education also need a means of livelihood to survive.

The two theoretical approaches that could be used to evaluate the engagement of people in the informal economy are the neo-liberal perspective and the political economy perspective. While the neo-liberal perspective views the informal economy as resulting from rational economic actors willingly making a decision to engage in the informal economy as a result of the difficult regulatory environment, the political economy perspective holds that entrepreneurs carry out in the informal economy because of too little state assistance like poor guidance and support for small businesses when starting (Williams & Martinez 2014). A study of obstacles to youth engagement in the informal economy is essential in the growing number of unemployment and the potential of the informal sector to create jobs and make youth self-dependent and sustaining.

Nigeria has many tertiary institutions that produce many graduates every year. These graduates which come from Polytechnics, Monotechnics, Colleges of Education and Universities do not have corresponding job opportunities. This is not to talk of others who stop at the Secondary School levels and those who are also not educated but looking for menial jobs.

For example, when the Federal Government of Nigeria in 2013 advertised for recruitment into the Nigerian Immigration service, about 800,000 applicants indicated interest for just 4,000 slots. However, on March 15, 2014, the day set aside for the recruitment test, about 20 applicants died in stampedes in the centres. Many others received injuries (*Leadership*, March 17, 2014). Okpeji (2016) captures the joblessness in Nigeria thus: "For those groping for proof that Nigerians seriously crave jobs, need not search any further but ask the operators of the police recruitment portal, who have in 12 days received more than 500,000 applications for consideration in advertised 10,000 positions." The National Bureau of Statistics (2015) reported that unemployment rate for those within the ages of 15-24 rose to 17.8% in third quarter of 2015, up from 14.9% in second quarter of the same year. This reality has posed a problem to the successive governments in Nigeria. Therefore, in this study, the researchers examined challenges that limit youth engagement in the informal economy.

Statement of the Problem

Over the years, it has been observed that youth have expressed reservations about taking part in the informal economy. Instead, many of them preferred paid employment. The trend is common among those with higher certificates like diploma, degree and higher degrees. Although different reasons could be adduced to this, scholars are yet to examine challenges to youth engagement in the informal sector. Evidence in literature (Chen, 2012; Horn, 2009;) show that

the informal sector is capable of providing jobs for youths and making them self-dependent. However, researchers are yet to substantially examine the level of youth engagement in the informal economy, challenges that hinder them from doing so and how to address such challenges, hence the need for this study.

Objectives of the Study

The general objective of this study was to examine obstacles to youth engagement in informal sector. The specific objectives of the study were to:

1. To ascertain the extent of youth engagement in informal economy.
2. To determine the challenges to youth engagement in informal economy.
3. To examine moderating variables of youth engagement in informal economy

Research Hypotheses

This study tested the following hypotheses:

H₁: Less educated youth are more likely to engage in informal economy than those with higher education.

H₂: Parental expectation is significantly associated with youth engagement in informal economy.

Literature Review

Youth is an essential time in the life of humans. This is because this period represents a phase in the life of people when they make serious decisions about their future, especially Shehu and Nilsson (2014) avers that youth is an important period of life when young people begin realizing their dreams, taking their economic sustenance and finding their place in society. They add that the world jobs challenges have resulted to: the vulnerability of young people in terms of: 'i) higher unemployment, ii) lower quality of jobs for those who find work, iii) greater labour market inequalities among different groups of young people, iv) longer and more insecure school-to-work transitions, and v) increased detachment from the labour market.' Youth engagement in informal economy has two broad advantages. First, it has the advantage of gainfully engaging the youth. This is because such youth will have sources of income that could make them self-dependent and self-sustaining. This in itself has a corresponding advantage of making such youth less vulnerable to manipulation by other people who may want to take advantage of their joblessness. In the second place, youth engagement in informal economy has the advantage of contributing to economic advancement of a country. Scholars (e.g., Lal & Raj 2006; Reddy, Vijay and Manoranjan 2002) corroborate that informal sector plays an essential role in poverty alleviation through creating jobs and reducing unemployment. Participation in informal economy has often been limited by some challenges. Onwuka et al. (2014) carried out a study to find out the role that policy measures play in informal economy growth. They reported the challenges to include, technological problems, Managerial challenges, inconsistencies in government policies, lack of basic amenities or infrastructural facilities, lack of credit facilities, lack of power supply; political instability, lack of patronizing made-in Nigeria products among others.

Scholars (e.g. Djankov, Tim Caralee, Ramalho, & Andrei, 2010, Obaji, & Olugu, Braunerhjelm, Ding & Thulin 2015, Martins 2004) could help in advancing informal economy. Such incentives range from policy to regulations and financial support.

Education plays a central role in determining the economic status of people. Sparreboom and Staneva (2014) found that there exist high unemployment rates for better educated youth in developing economies. They attributed this to the behaviour of educated youth who are not preparing themselves for the careers that are in demand in the labour market, and also that these youth are prepared to wait for the opportunity of a quality job (in the formal sector) than reflect the availability of a large pool of educated labour at the national level. Another factor that may play a role in youth participation in the informal economy is parental expectations. Parents usually have expectations from their children. It is the joy of every parent to see the children grow into successful people. Parents usually will want their children to be self-sustaining and dependent. Consciousness of such expectations may also impact on the behaviour of youth regarding work and in particular, engagement in informal economy. Viola and Ndhlovu (2017) reported that parental expectations influence career development through discussions, role modelling, practicing and parenting styles. They also found that parental expectations can inhibit or enhance career development of youths. Keller, and Whiston, (2008) found that high parental expectations lead to high academic achievements of learners in general.

Theoretical Framework

To articulate this study, the researcher made use of theory of planned behaviour. The theory was postulated in 1986 by Ajzen to explain human behaviour. The theory holds that the intention which a person has to get involved in an action is predicted by intention concerning such a behaviour. Furthermore, behaviour intention is determined by three variables namely: Attitude concerning an action, subjective norms, and perceived behavioral control (Ajzen, 2008). According to Ajzen (1985) intention describes a person's readiness to execute a defined behaviour. Attitude explains the assessment that a person makes concerning the behaviour to be executed. Such an evaluation may be in favour or against the action the behaviour to be carried out. For this study, it refers to the attitude that a person has regarding engagement in informal economy. On the other hand, subjective norms defines the opinion a person's peers have concerning an issue. For this study, it explains the opinion that a person's close associates have regarding engagement in informal economy. Perceived behavioural control (PBC) explains how less difficult or easy it is for a person to carry out an action. When this variable explains from the perspective of this study, it means how difficult or easy it is for youth to engage in informal economy. The last variable of the theory is most related to the study because it explains the challenges that youth face in a bid to get involved in informal economy.

Methodology

Design and area of the study: The researcher adopted descriptive survey design. The choice of survey was because it is usually the most appropriate design when a researcher seeks to describe or explore an issue. According to Nworgu (2006,p.77) descriptive survey is used for “ studies which aim at collecting data on and describing in a systematic manner, the characteristics, or facts about a population.”

Population of the Study: The target population of this study was all youth in Enugu State. In this study, youth were defined as those within the ages of 18 and 35. The total number of youth in Enugu State according to National Bureau of Statistics (2012) is 1,570,174. The number made up the population for the study.

Sample and Sampling Technique: The sample size for this study was made up of 384 respondents. To determine this sample size, the researcher used the Australian Calculator. The confidence level was 0.5 with the estimated error margin of 5%. To sample the individual respondents, the researcher adopted random sampling. Therefore, the researcher randomly selected youth from Enugu metropolis. The decision to use Enugu metropolis was because it has more economic activities than other areas.

Instrument of Data Collection: A self-developed questionnaire and was used to collect data for this study. The instrument was developed by the researcher. The instrument was administered with the help of three research assistants who were briefed on the mode of administration. All questionnaire copies were administered and collected instantly to minimize cases of missing copies. The questionnaire was validated by three research experts in Economics Department, University of Nigeria, Nsukka. To ascertain the reliability of the instrument, the researcher used the test-retest approach. To achieve the test-retest approach, 20 copies of the questionnaire were administered to 20 purposively selected youth from Nsukka, Enugu State. After two weeks, the same respondents were contacted and the result yielded a coefficient value of .87, indicating that the instrument was reliable.

Analysis techniques: Both quantitative method of data analysis was used for this study. Consequently, the researcher used simple percentages, mean and standard deviation among descriptive statistics. Among inferential statistics, the researcher used correlation analysis. Results were presented in tables.

Results

Out of the 384 copies of the questionnaire that were administered to the respondents, 351 copies representing 91% were filled and returned. The researcher then sorted out the responses and the results is presented in tables. The sample was made up of 61% male and 39% female. Also, the sample had 25% respondents with no formal education, 11% with primary education, 24% with secondary education and 40% had tertiary education.

Table 1: Extent of engagement in informal economy

Extent	Frequency	Percent
large extent	55	15.7
moderate extent	87	24.8
Low extent	209	59.5

Total	351	100.0
-------	-----	-------

The table above sought to ascertain the extent of youth engagement in informal economy. The result showed that most of the sample studied reported low involvement. What this means is that most of the sample investigated are not significantly engaged in the informal economy. To examine the spread of the scores, a histogram was computed and the result is presented below:

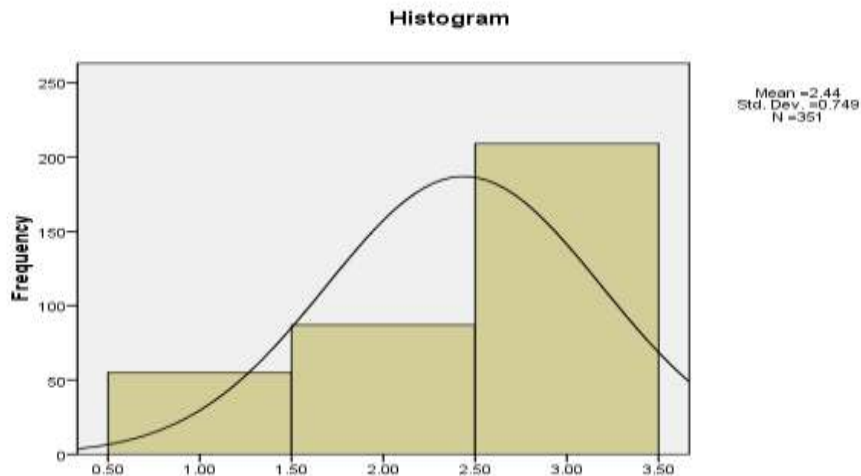


Figure 1 Extent of youth engagement in informal economy

The chart above sought to ascertain mean scores of the respondents regarding their involvement in informal economy. The results showed a mean score of 2.44 with a standard deviation of 0.749, an indication of wide spread in the scores. To ascertain the challenges to youth engagement in the informal economy, the following table was computed:

Table 2: Mean and standard deviation of respondents on challenges to engagement in informal economy

S/N		Mean	SD	Remark
1	Lack of finance	3.0	0.87	Accepted
2	Parental expectation	3.3	0.99	Accepted
3	Perceived societal expectations	3.2	0.56	Accepted
4	Desire for better quality of life	2.9	0.89	Accepted
5	Desire for paid employment	2.9	0.79	Accepted

The table above sought to ascertain challenges to youth engagement in informal economy. All the items presented were accepted as challenges to youth engagement in informal economy. This is because all the items had mean scores above the benchmark. To examine the

moderating variables for youth engagement in informal economy, the following table were computed:

Table 2: Relationship between ICTs and security surveillance

	Item	<i>r</i>	p. value	Decision
1	Educational level	.703 ^{**}	0.001	Sig
2	Parental expectations	.876 ^{**}	0.001	Sig
	Engagement in informal economy	.913 ^{**}	0.001	Sig

3

The result of table three above sought to ascertain the moderating variables for youth engagement in informal economy. It was found that variables like educational level and parental expectations significantly correlate youth engagement in informal economy. To examine this relationship deeper, the hypotheses were tested and the results presented in tables four and five.

Test of Hypotheses

The two hypotheses for this study were tested as shown below:

Table 4: A cross tabulation between educational level and extent of engagement in informal economy

			Extent of engagement			Total
			large extent	moderate extent	Low extent	
Education level	No formal education	Count	32	20	7	59
		% of Total	9.1%	5.7%	2.0%	16.8%
	Primary education	Count	19	20	16	55
		% of Total	5.4%	5.7%	4.6%	15.7%
	secondary education	Count	3	22	1	26
		% of Total	.9%	6.3%	.3%	7.4%
	tertiary education	Count	1	25	185	211
		% of Total	.3%	7.1%	52.7%	60.1%
Total	Count	55	87	209	351	
	% of Total	15.7%	24.8%	59.5%	100.0%	

The result of the cross tabulation above sought to ascertain the relationship between educational level and engagement in informal economy. The calculation yielded p.value of 0.001 at 0.05 level of significance. This means that educational level is significantly associated with extent of engagement in informal economy. The extent of the relationship was further explored using contingency coefficient and the calculated figure was .629 interpreted as 62%. This means that the more youth are educated, the less likely they are to take part in informal economy. Therefore, the first assumption was supported. To ascertain the relationship between parental expectations and engagement in informal economy, the following table was computed:

			Extent of engagement			Total
			large extent	moderate extent	Low extent	
Parental expectation	high parental expectation	Count	1	10	184	195
		% of Total	.3%	2.8%	52.4%	55.6%
	moderate parental expectations	Count	6	77	14	97
		% of Total	1.7%	21.9%	4.0%	27.6%
	low parental expectations	Count	48	0	11	59
		% of Total	13.7%	.0%	3.1%	16.8%
Total	Count	55	87	209	351	
	% of Total	15.7%	24.8%	59.5%	100.0%	

level is significantly associated with extent of engagement in informal economy. The extent of the relationship was further explored using contingency coefficient and the calculated figure was .629 interpreted as 62%. This means that the more youth are educated, the less likely they are to take part in informal economy. Therefore, the first assumption was supported. To ascertain the relationship between parental expectations and engagement in informal economy, the following table was computed:

Table 5: Cross tabulation between parental expectation and youth engagement in informal economy

Table five above sought to ascertain the relationship between parental expectations and youth engagement in informal economy. The cross tabulation yielded P-value 0.001 at 0.05 level of significance and 4 df. The degree of the relationship was further examined and this yielded contingency coefficient of .749 interpreted as 75%. The second assumption was also supported. The simple implication is that youth whose parent expect them to make quick money and take care of the family are less likely to be engaged in informal economy than their counterparts with less parental expectations.

Discussion of Findings

This study examined challenges to youth engagement in informal economy. It was found that most of the youth sample studied reported low engagement in informal economy. The challenges that limit youth participation in informal economy were found to include finance, parental expectation, desired quality of life, among others. The result of this study is similar to that of Martins (2004) and Onwuka, Ugwu and Ukpai (2014). The two hypotheses tested in this study were confirmed. It was found that educational level plays an essential role in moderating the engagement of youth in informal economy. Youth who have higher education of up to tertiary level more be unwilling to engage in informal economy. Rather, they express

preference for paid employment. The result was found to be similar with that of Sparreboom, and Staneva (2014) who found that youth with higher educational qualification suffer unemployment more because they desire jobs in the formal sector. Also, youth whose parents expect them to make money early in life are less likely to be interested in informal economic activities. This result was also found to be similar with those of Viola and Ndhlovu (2017) and Keller and Whiston (2008) who all reported that parental expectations influence youth behaviour generally.

The result of this study has added to our understanding of theory of planned behaviour by showing how some challenges limit youth from engaging in informal economy. Even when youths assessed informal economy and found it useful, those challenges may limit them from actually engaging in it. Also, even if youth have peers who have positive attitudes towards informal economy, such challenges may not allow them to actually engage in it (Ajzen, 1985; 2008). Therefore, the result of the current study has contributed to our understanding of theory of planned behaviour by providing data that may be used to test the theory.

Conclusion/Recommendations

This study examined challenges to youth engagement in informal economy. Based on the result of the study, the researcher concludes that there is low youth engagement in informal economy. The researcher also conclude that the higher youth are educated, the less likely they are to engage in informal economy. The researcher also concludes that higher expectation from parents lead to less likeliness for youth to engage in informal economy and vice versa. The basic contribution of this study is that it has provided empirical evidence regarding challenges to youth engagement in informal economy as well as offer insights into the role that education as well as parental expectation play in influencing youth engagement in informal sector. Based on the results of this study, the researchers make the following recommendations:

1. There is the need for tertiary institutions to counsel students on the need to embrace informal sector so as to become financially independent.
2. Parents should limit their expectations from their children and encourage them to value and appreciate humble beginning.
3. The media be used to communicate campaigns on the need for youth to embrace informal economy.
4. Further studies should be conducted in other areas in Nigeria for better understanding.

References

- Akpeji, C. (2016 April 12) 500,000 apply for 10,000 police jobs in 12 days. Guardian. Retrieved from <http://guardian.ng/news/500000-apply-for-10000-police-jobs-in-12-days/>
- Ajzen, I. (1985). From intentions to action: a theory of planned behavior. In J. Huhl, & J. Beckman (Eds.), *Will; performance; control (psychology); motivation (psychology)* (pp. 11–39). Berlin and New York: Springer-Verlag.
- Ajzen, I. (2008). Consumer attitudes and behavior. In C.P. Haugtvedt, P.M. Herr & F.R. Cardes (Eds.), *Handbook of consumer psychology* (pp. 525–548). New York: Lawrence Erlbaum Associates.
- Chen, M. (2012). The informal economy: Definitions, theories and policies. Retrieved from http://www.wiego.org/sites/default/files/publications/files/Chen_WIEGO_WP1.pdf
- Chen, M., J. Vanek & M. Carr. (2004). *Mainstreaming informal employment and gender in poverty reduction: A handbook for policymakers and other stakeholders*. London: Commonwealth Secretariat.
- Chen, M., J. Vanek, F. Lund, & J. Heintz with R. Jhabvala and C. Bonner. 2005. Progress of the World's Women 2005: Women, Work and Poverty. New York: UNIFEM.
- Djankov, S, Tim G, Caralee M, Ramalho, R.& Andrei, S.. (2010). The effect of corporate taxes on investment and entrepreneurship.' *American Economic Journal: Macroeconomics*, 2(3),31-64.
- Editorial (2014 August 2). *Immigration job scam forgotten? Leadership newspaper*. Retrieved from <http://leadership.ng/opinions/editorial/379760/immigration-job-scam-forgotten>.
- Horn, Z. E (2009). *No cushion to fall back On: The Global Economic Crisis and Informal Workers*. Cambridge, MA, USA: WIEGO and Inclusive Cities
- Keller, B. K., & Whiston, S. C. (2008). The Role of parental influences on young adolescents career development. *Journal of Career Assessment*, 16, 198-217. doi:10.1177/1069072707313206. Visited 12/09/15.
- Lal, N. & Shiu R. (2006). The informal economy in small island developing state. case study: Fiji island. Expert Group on Informal Sector Statistics (Delhi Group), 11th & 12th May 2006, New Delhi, India. <http://www.mospi.nic.in/GDP%2005.doc>
- Martins, S (2004). Barriers to entrepreneurship and business creation. European Entrepreneurship Cooperation.
- National Bureau of Statistics (2015). Unemployment/ under-employment watch 3Q 2015. National Bureau of Statistics
- Obaji, O. & Olugu, M (2014). The role of government policy in entrepreneurship development. *Science. Journal of Business and Management*, 2(4), 109-115.
- Onwuka, E. M, Ugwu, K. E, & Ukpai K. (2014). The effect of policy measures on entrepreneurship development analysis of Nigeria's experience. *European Journal of Business and Management*, 6(23), 270- 276.

- Reddy, M., Vijay, N., & Manoranjan M. (2002). The urban informal sector in fuji: Result from a survey. *Fujian Studies*, 1(1), pp. 127-154.
- Shehu, E. & Nilsson, B. (2014). Informal employment among youth: Evidence from 20 school-to-work transition surveys. Retrieved from http://ilo.org/wcmsp5/groups/public/dgreports/dcomm/documents/publication/wcms_234911.pdf
- Sparreboom, T. & Staneva, A. (2014). Is education the solution to decent work for youth in developing economies? Identifying qualifications mismatch from 28 school-to-work transition surveys work. <https://www.un.org/youthenvoy/wp-content/uploads/2014/10/Work4Youth-Publication.pdf>
- Vanek, J, M. Chen, R. Hussmanns, J. Heintz, and F. Carre. 2012. Women and Men in the Informal Economy: A Statistical Picture. Geneva: ILO and WIEGO
- Viola, M. & Ndhlovu, D. (2017). The role of parental expectations on career development of youths with intellectual disabilities in selected Skills training institutions in Zambia. *International Journal of Humanities Social Sciences and Education*, 4 (10), 19-30
- Williams, C & Martinez, A 2014, Do small business start-ups test-trade in the informal economy? Evidence from a UK survey. *International Journal of Entrepreneurship and Small Business*, 22, (1), 1-16.