

## **CHAPTER ONE INTRODUCTION**

### **1.1 Background to the study.**

Over the past years, scholars have debated on whether the informal sector should really be seen as a marginalized sector, which mops up excess or entrenched workers or as a vibrant, entrepreneurial part of the Nigeria economy which can stimulate economic growth and job creation. It should be noted that around the world, about two-thirds of all employees work in the informal sector (World Bank, 2009) cited in Atal et al 2013: 34). Informal sector constitutes a significant segment of the Nigerian economy. The sector thereby contributes to the Gross Domestic Product (GDP) and employment and contributes significantly to economic development of Nigeria in general (Omisakin, 1999) cited in (Atah et al. 2013: 32).

Available statistics in Nigeria also shows that the informal sector contributes about 60 per cent of the nation's Gross Domestic Product (GDP). Like many other developing countries, the sector is considered crucial to job creation as it accounts for about 90 percent of jobs in the country. In South Africa, the sector generates 60 per cent of employment and contributes about 28 percent to the nation's Gross Domestic Product (GDP) (Federal Office of Statistic. 2012). The foregoing therefore, points to the fact that the informal sector given the needed regulations and support could be a major player in the combat against unemployment problem in Nigeria, as well as in other developing countries.

According to Onyemaechi (2013:62), the informal sector consists of units engaged in the production of goods and services with the primary objective of generating employment and incomes to the persons involved.

### **1.2 Statement of the problem**

There has been a general outcry on the persistent rise in the unemployment rate in Nigeria. This has led an army of angry and desperate unemployed youths prowling cities and the unending influx of youth into the urban areas which has now posed further threat to an already precarious state of national security (Hernando 2013) cited in Atal et al 2013: 34). Government at various levels has introduced various policies and programmes aimed at reducing this menace but to no avail. However, informal sector contribution to economic development in the area of job creation can help to reduce the unemployment problem. The informal sectors in developing countries appear to have been steadily growing in recent times because most people have decided to create their own source of livelihood for survival (Onyemaechi 2013: 66).

Considering the ongoing economic and financial crisis that characterizes the economies of many African countries, including Nigeria, the informal sector has the potential to provide the needed impetus for employment generation. Fapohunda (2012:39) also notes that the informal sector plays several roles in the

growth and development of the Nigerian economy. It provides productive outlets for a large number of people who prefer or have to be self-employed consequently contributing to the national economy in terms of output and employment.

It is against this background that this study aims to examine the role of employment generation in Nigeria. Despite the fact the topic is well documented, efforts have not really been made to explore the dynamism the sector has played and still playing in creating jobs in Nigeria, hence this study aims to fill this gap.

### **1.3 Objectives of the study**

The main objective of this study is to examine the role of the informal sector in employment generation in Nigeria. In order to achieve this objective, the following are the specific objectives:

- 1.) To understand the informal sector and their activities in Nigeria
- 2.) To examine the relationship between the informal sector and employment generation in Nigeria
- 3.) To investigate the role the informal sector has played in the employment generation in Nigeria.

### **1.4 Research Questions**

- 1.) What are the activities of the informal sector in Nigeria?
- 2.) To what extent has the informal sector been able to generate employment in Nigeria?

### **1.5 Significance of the study**

This study is very significant for its timely nature. It will explain the roles of the informal sector in Nigeria and this will make the government pay attention to using the informal sector as a tool for solving unemployment which is a problem confronting the country. The research, policies and recommendations will assist the government and other unemployed youths.

### **1.6 Scope of the study**

This study examines the informal sector in Nigeria including their activities, and understand the role the sector has played in employment generation in Nigeria.

### **1.7 Limitation of the study**

The major constraint faced in this study is in gathering materials.

### **1.8 Definition of terms**

- 1.) Informal Sector: it refers to the unregulated, non-formal portion of the market economy that produces goods and services for sale or for other forms of remuneration. It also refers to the sector that consists of units engaged in the production of goods and services with the primary objective of generating employment

and incomes to the persons involved (Becker 2004) cited in (Onyemaechi 2012: 61)

2.) Employment generation: this is the process involved in engaging the full labourforce in productive activities of the economy (Yusuf 2014: 4).

3.) Unemployment: this refers to a condition of joblessness or lack of employment. In other words, anyone who is fit and available to work but fails to get one may be considered as being unemployed for the concerned period (Olubukola, 2013)

## References

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