

REBASED NIGERIAN GROSS DOMESTIC PRODUCT: THE ROLE OF THE INFORMAL SECTOR IN THE DEVELOPMENT OF THE NIGERIAN ECONOMY

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Abstract

The new rebasing of Nigerian Gross Domestic Product (GDP) by the National Bureau of Statistics (NBS) in April 2014 positioned the Nigerian economy as the largest in Africa and the 26th in the world. It is a well known fact that the informal economy played a crucial role in the new GDP and it also provides employment to a large number of Nigerians. This study decided to evaluate the role of the informal sector in the economic development of Nigeria using the output and employment approach. Using the data from the survey of the informal sector in Nigeria by the National Bureau of Statistics (NBS). The study found the informal economy significantly expanding in Nigeria. And also, the informal sector contributed immensely to the economic growth through the rebased GDP of Nigeria. A case in point is that, it contributed 57.9% to the N80.2 trillion (\$509.9 billion) new Nigerian GDP. In addition, the sector employed a total of 48 million Nigerians thereby providing income and reducing unemployment in Nigeria. The agriculture, wholesale and the manufacturing sectors are the largest employers of the informal workers. Furthermore, the study identified women's domination of the informal sector, lack of social security and low unionization as the characteristics of the informal sector. While the challenges confronting the sector are lack of access to loans, unsafe working conditions and the harassment by local government officials. With regard to these challenges, the study suggests ways of ameliorating the tasks befalling the informal sector in Nigeria.

Keywords: Economy, Employment, Development, Informal Economy, Informal Sector, Rebased GDP

1. Introduction

The last time the Nigerian government rebased or re-benchmarked her Gross Domestic Product (GDP) was in 1990 despite the fact the rebasing of any country's GDP comes up in every five-year period. The Statistician-General of the Federation and the Chief Executive Officer of the National Bureau of Statistics (NBS), Dr. Yemi Kale on April 6, 2014 released the official figures of the new rebased GDP of Nigeria. The highlights of Nigerian GDP after the re-benchmarking are as follows:

- Nigeria's revised GDP is now N80.2 trillion (\$509.9 billion). This dramatically increased the GDP by 89%.
- Nigeria is now ranked the 26th economy in the world and the largest economy in Africa as a result of the rebased GDP.
- The structure of the economy is now more diversified than before. Previously, the agriculture sector consisted of 33% and the service sector comprised of 26%. With the results of the new GDP, agriculture now represents 22% and the services sector which includes communication, Finance, Insurance, Arts and Entertainment, Real Estate, Public Administration, Education and Health Services account for 51% GDP.
- Other vital sectors on the re-based GDP results are Oil and Gas 15%, Manufacturing 6.7%, Telecoms 8.7% and Nollywood 1.2%.

The rebasing of Nigeria's GDP was done to follow international norms because every country rebases its GDP figures every five years in order to adequately capture data on economic activities. For instance, Ghana rebased its GDP in 2010. The nitty-gritty of the rebased GDP for this study is the contribution of the informal sector in the development of the Nigerian economy which has projected the country's economy to be the largest in Africa by outdoing South African economy to the second position.

The informal sector in Nigeria accounted for an estimated 57.9% of the country's rebased GDP going by the pronouncement of Dauoda Toure, the United Nations resident coordinator and the representative of the United Nations Development Programs (UNDP) in Nigeria. According to Usman (2014), the informal sector contributed immensely to the services sector which impacted 51% to the rebased GDP. In addition, call credit vendors, petty traders and unregulated economic activities in the informal sector formed part of the component of the services sector. The informal sector is rapidly increasing in Nigeria and its pivotal role in the economic development of Nigeria over the years has not been documented. The rebasing of the Nigerian's GDP holistically surveyed the role of the informal sector in the development of the Nigerian economy for the first time. Further to this, the informal economy provides employment for the army of the unemployed youths thereby reducing poverty and assisting in the country's GDP growth. Despite the significant contribution of the informal sector to Nigerian economic development, there are still gaps about the characteristics and the major role of the informal economy in Nigeria. It is on this assumption that this paper will holistically evaluate the role of the informal sector in the development of the Nigerian economy by using the official released documents on the rebased GDP and the labor force statistics of the informal sector employment in Nigeria by the NBS. This study will focus more on the output and employment approach of the informal sector.

2. Literature Review

There have been many features and structures of the informal sector analysis by academic literatures and reports. The informal sector which is also known as the 'shadow' economy has played a vital role in the economy of many developing countries by contributing to the increase in employment and wages. Many authors have used different concepts to classify the informal sector. Delnot and Morris (1981) called it the "black economy," Houston (1987) named it the

underground economy, Ferman and Ferman (1973) labelled it the irregular economy, while Guttmann (1977) sees it as the subterranean economy. The informal sector is also known as the unrecorded economy. The concept of the informal economy originated from Ghana during the International Labor Organization (ILO) study of the labor market in Ghana (Heart 1973). Subsequently, other international organizations have been using the concept such as the World Bank to study poverty in developing countries (Sethuraman 1981). In the study of the characteristics of the informal sector, Castells and Portes (1989:13) identified the precarious nature of the informal sector, which are poor health condition, safety hazard and unfriendly labor laws. Workers in the informal sector face lot of challenges and trade unions have found it difficult in organizing workers in this sector. The trade unions blamed inadequate fund as the reason for not organizing workers in the informal economy. Economists, scholars, governments and international organizations have shown much interest in the informal economy. Since the informal economy has come to stay and the rate it is growing for capitalist development, this has made the neoclassical economists, agricultural economists, informal sector experts and industrial relations scholars to rekindled their interest in the informal economy (Tendler 1987). Activities of the informal sector are also linked to the formal sector. Most of the wastes such as plastics, aluminium, and electronic wastes are being gathered by waste pickers which they sell to industries for recycling. According to Scheinberg et al. (2010); Chaturvedi (2007); Dias (2000); Medina (2005) the formal sector is dominated by women, men and children who assemble materials picked from dump sites, middlemen from the 'shadow economy' then buy these waste materials and send them to the factories for recycling. The contribution of the informal sectors to the economy of a nation cannot be overemphasized. In studying the linkage between the formal and informal economy in India, Narayana (2004) acknowledged that the informal sector's contribution to the economy of India, emphasizing on the India National Accounts Statistics (NAS), the informal sector increased the national income by 1.46 (or 1.48) times from 1993-94 to 1998-99, and by 1.15 (or 1.12) times from 1998-99 to 2001-02, while at the same time the informal sector increased employment generation. In Nigeria, the percentage of workers in the informal sector is 90 percent and the sector contributes 57.9% to the Nigerian Gross Domestic Product (GDP). The ILO who defined the concept 'informal economy' has been using the decent work to x-ray the conditions of workers in the informal economy, this is the reason the ILO has been promoting decent work agenda in developing countries. At the 90th session of the International Labor Conference, there was recommendation for the training of informal workers and the ILO's Global Agenda for Employment has placed productivity employment as its core agenda for the economy and social policy (ILO 2002). The insinuation that the informal sector cannot be accommodated by international labor standards is erroneous. In a research made by the ILO on the application of international labor laws on the informal economy, the ILO noted its framework for the informal economy which includes:

- The term "informal economy" was proposed in lieu of the "informal sector" to accommodate "all economic activities that are – in law or practice – not covered or insufficiently covered by formal arrangements." The broadened term takes account of the considerable diversity of workers and economic units, in different sectors of the economy and across rural and urban contexts that are particularly vulnerable and insecure; that experience severe decent work deficits and often remain trapped in poverty and low productivity;
- the informal economy includes wage workers and own-account workers, contributing family members and those moving from one situation to another;

- it includes some of those who are engaged in new flexible work arrangements and who find themselves at the periphery of the core enterprise or at the lower end of the production chain;
- the resolution called on governments to develop and implement a range of policies and programs, on social partners to advocate for and extend representation, and on the office to undertake a series of actions to better address the needs of workers and economic units in the informal economy throughout the Organization (ILO 2010).

Apart from the ILO, other international organizations have been making efforts in supporting the informal sector through organizing and providing social security to workers in the sector.

3. The Nigerian Informal Sector

Nigeria with a population of 160 million people has the highest numbers of workers in the informal sector in Africa. According to (Arosanyin et al. 2011:179) the informal economy plays a significant role in the Nigerian economy because it creates employment vis a vis by reducing unemployment and poverty. Although, most of the people who work in the informal economy, work in a precarious situation, with low pay, no social security or safety net, they find the informal sector as a safe haven since the government cannot provide them with suitable jobs and working in the informal sector it seem like the last resort to them. The informal economy is associated with microeconomic activities such as furniture making, woodwork, tailoring, carpentry and tax evasion is predominantly in this sector (Agbuabor and Malaolu 2013:87). Since this sector is unregulated statistics of activity of those that work in the informal economy has been varied. It is estimated that over 90 percent of workers work in the informal economy in Nigeria, 80 percent of all non-agricultural employment, 60 percent of urban employment, the sector is not taxed but 65 percent of Nigeria GDP comes from the informal sector (Osalar 2011). Despite the contribution of the informal sector to the Nigerian economy in terms of employment creation and GDP growth, the sector has been enmeshed with a lot of challenges such as fighting for space with local government officials, double levies and not being organized by the organized labor. Eroke (2010) stipulates that government is aware of the problems facing the sector, quoting the deputy director, Lagos office of the ministry of Labor:

“Government is aware of the informal sector contribution to economic development in the area of job creation, however, our concern is to create quality job and not just any job. It is long established that the ambition of people is to live a dignified life and the essence of dignity is work. In realization of this fact of life, our current Labor administration in Nigeria has made access to good quality jobs for all workers as a central policy, hence our commitment to the promotion and enforcement of Decent Work Agenda at all workplaces. Decent work is central to efforts to reduce poverty and is a means for achieving equitable, inclusive and sustainable development.”

The ILO estimated that the population of workers in the informal sector is large in the Sub-Sahara Africa and they account for more than half of urban employment of two-thirds of countries surveyed in 1999. In Nigeria the ‘shadow economy’ evolved after the introduction of the Structural Adjustment Programs (SAP) in the early 1980s which led to mass retrenchment of formal economy workers. Many of the retrenched workers, especially the women, found relief in the informal sector in order to avoid the economic crisis that was caused by SAP (Oshinowo, 2007).

3.1 Characteristics of the informal sector

The informal sector takes many shapes, structures and the nature which makes it difficult for the sector to be organized (Losby et al. 2002:5). The nature of the informal sector leads to the three characteristics discussed below.

(i) Dominated by women in the developing countries

The statistics from the National Bureau of Statistics in Nigeria revealed that women dominate the informal sectors in the country apart from the self-ownership which has 7 million women owning informal enterprises, women that work in the sector are 27.7 million as compared to the men 27.1 million (National Bureau of Statistics 2010). In the Benin Republic, women in the informal sector are 65 percent, in Ghana 57 percent, while in Malawi is 58 percent and Namibia is 53 percent (Ghana TUC 2006). Table 1 illustrates the role of women in informal employment in some African countries.

Table 1: The Role of Women in Informal Employment in Selected African Countries

Indicator	Benin (1992)	Mali (1989)	Chad (1993)	Burkina Faso (1992)	Tunisia (1994- 1996)
Share of informal employment (%)					
Total non- agriculture	59.7	71.9	53.4	41.9	5.0
Industry	42.8	73.2	24.5	88.5	4.4
Trade	92.2	81.3	61.8	65.9	2.4
Services	20.5	48.5	47.1	10.7	3.6
Contribution to informal sector GDP (%)	51.1	68.2	62.3	61.4	3.2

Source: Charmes 1998

(ii) Most informal workers lack social protection

The informal workers in many developing countries lack social protection. Their income did not provide for them to be contributing to the social security scheme since they are not on the pay role of government (Losby et al. 2002:8). According to Eroke (2010) the government in Nigeria has been trying to assist the sector with some programs such as the Work for Yourself Program (PFYP) in collaboration with ILO. But how soon will this program make an impact on the informal sector because government has been coming with so many programs since Nigeria gained her independent, but most of the programs ended up in a fiasco.

(iii) Unionization is very low in the informal sector

The unionization rate in the informal sector is every low. Although, there are no available statistics of the unionization in the informal economy in Nigeria. However, in Hong Kong it is 4 percent of domestic workers that are unionized, while the migrant domestic workers is 1 percent that is unionized, in Ghana it is 0.1 percent (Ghana TUC 2006). Local and international organizations have been trying how to organize informal workers in developing countries, but they are being faced with some challenges. Organized labor often believes that the informal workers fall out of the jurisdiction of trade unions this is because labor laws of most countries only recognized workers in the formal sector to be organized and the informal workers also perceived themselves as not part of the organized labor (Bonner and Spooner 2011:89).

3.2 The challenges confronting the informal economy

The informal sector is entangled with a lot of challenges despite the contribution of the sector to the development of some countries' economies. Some of the challenges facing the informal sector include lack of access to credit facilities, unsafe working conditions and the harassment by public authorities.

(i) Lack of access to credit facilities

Most of the informal workers lack access to credit facilities, the introduction of micro-finance banks in Nigeria in 2005 by the federal government did not solve the issue of informal workers accessing credit facilities this is because many of them do not have the collaterals to secure loans from the micro-finance banks. Accessing credit from the banks is crucial to the informal workers, but many of them are also unaware of the opportunity of getting loans from the banks (Olunloyo 2012). This could be attributed to the high rate of illiteracy among workers in the informal sector.

(ii) Unsafe working Conditions

The informal sector is associated with poor working conditions, according to (Ghana TUC 2006), the informal sector is known for lack of health care, safety standard and they eat in a poor environment. The environment they work is precarious in nature since most of them who work in the factories are exposed to dangerous chemicals. Losby (2002:8) posits that the informal sector is the direct opposite of the formal sector when it comes to the issue of income, job security, social security and exploitation. That is why workers in the informal economy feel they cannot be part of the organized labor since they cannot have the benefits the formal workers are deriving from their employers (Bonner and Spooner 2011:89). Many vendors do not see the government providing them with amenities, when it rained, the condition is so pathetic that even the babies the vendors bring to where they sell their wares are drenched by the rain since there are no shades to protect them from the rains and sunlight (Lindell 2009). Many of them that feel sick owing to the precarious condition of their jobs and they always patronize local herbal sellers for drugs because they do not have enough income to buy orthodox drugs which they consider very expensive.

(iii) Harassment by public authorities

Vendors always have a rough time with the officials from the local governments who always harass them (the vendors) if they feel that the vendors are displaying their wares along the roadsides thereby obstructing traffic on the roads. Local government agents always attacked vendors and

extort money from them, thereby reducing their income (Lindell 2009). There is the situation that these vendors are levied twice a day and those who cannot afford to pay the levy are not allowed to display their wares in the open. During local government elections as in the case in Nigeria, the harassment of vendors is reduced because local politicians seeking for elective positions always approach the vendors for votes.

4. Conceptual Framework and Theoretical Approaches of the Informal Sector

4.1 Conceptual framework

According to Fapohunda (2012), the conceptualization of the informal economy was initiated by the ILO in 1972 in its Kenya report which conceptualized informality as a “way of doing things” epitomized by free entry, low skill, traditional tool usage and labor intensive operation. Since the first definition of the informal sector by the ILO, various academic scholars and economic analysts have defined the informal economy in different approaches. Gbanador (2007) categorized the informal economy operation into two points of view. According to him, the subterranean (informal) economy consists of two modules, viz:

- the manufacturing and distribution of illegal goods and services; and
- the concealing of illegal economic activities.

Amin (2002), ILO (2002 & 2003) and the World Bank (2003) affirm that the informal sector is composed of self-employment that are not regulated and those who work in the informal sector lack social protection. They categorize the informal sector or what is known as the shadow economy in the following ways:

- Self-employment: this consists of unpaid family workers, own account workers and family business owner.
- Wage workers: including home workers, casual workers, paid domestic workers, temporary workers and non-registered workers.
- Employers: this composed of owners of small scale enterprises.

For the purpose of this study, the Central Bank of Nigeria (CBN), the Federal Office of Statistics (FOS) now the National Bureau of Statistics (NBS) and the Nigerian Institute of Social and Economic Research (NISER) joined definition of the informal sector will be our operational guide. The three federal government agencies at a jointed workshop in 2001 defined the informal economy as that which operates under unregulated atmosphere and at the same time the government officials are aware of their activities, but they rendered no official returns on their operations. The workshop pigeonholes the conceptualization of the informal economy production units into four classifications, which are:

- Informal production units operating under binding official regulation with autonomous internal regulations;
- Informal production units operating under binding official regulation without internal regulations;
- Informal production units operating without binding official regulations with autonomous internal regulations;
- Informal production units operating without binding official regulation without autonomous regulation (CBN/FOS & NISER, 2001).

For more details on the conceptualization of the informal economy (see Feige 1990; Loayza 1997; Henry et al. 2006; Scheider 2002; Bhattachryya 1999; Hart 1973 and, Ajakaiye & Akerele 1996).

4.2 Theoretical approaches

Various approaches have been used by different experts to illustrate the informal sector. Chen (2004) delineates three of these core approaches:

- The Dualist School Approach: The informal sector in this approach consists of marginal activities that provide wage for the poor in times of difficulty (Hart 1973; ILO 1972; Sethuraman 1976; Tokman 1978). In this school of thought, the informal sector workers are separated from contemporary economic advantageous chances because of the unevenness between the growth rates of the number of people and of modern industrial employment.
- The Structuralist School Approach: The informal sector is regarded as a subsidiary economy supplementing the 'real' economy. According to the structuralist school of thought, they see the "informal economy as subordinated economy units (micro-enterprises) and workers that serve to reduce input and labor costs and, thereby, increase the competitiveness of large capitalist firms" (Moser 1978; Castells and Portes 1989).
- The Legalist School Approach: Those who work in the informal economy are considered to be 'audacious' by the legalist school, this is because they took it upon themselves to operate in the 'shadow'(informal) economy in order to escape taxation and costs to the government (de soto 1989, 2000). The unfavorable and harsh legal system allows the self-employed to function informally with their own informal extra-legal rule.

In yet another approach that is associated with developing countries, the informal economy is considered to be illegal, underground, shadow, irregular, black and subterranean economy. This is because the economic activities of the informal workers are concealed from the regulatory authority (United Nations Statistical Commission 1993).

5. Methodology

The study relied solely on the secondary data. Relevant literature, publications and as well as internet based research on the role of the informal sector in the development of the Nigerian economy were obtained to study the definitions, concepts, characteristics and challenges of the informal economy *vis a vis* its role in the economic development of Nigeria. Furthermore, data were also collected from the National Bureau of Statistics on the new rebased Nigerian Gross Domestic Product and the number of workers engaged in the informal sector in Nigeria. The objective is to muster information that support in the basic understanding of the informal economy and its role in the development of the Nigerian economy via the output and employment approach.

6. Analysis and Discussions

The informal sector played a pivotal role in the development of many developing economies. In Nigeria, the situation is not different. The informal economy contributed 57% to the rebased GDP to the level of the estimated amount of N80.2 trillion (\$509.9 billion). An increased of 89% of Nigerian GDP. Further to this, the informal sector provides employment for the teeming youths in Nigeria.

Table 2: Rebased Sectors of GDP (Nm)

Sector	2010	2011	2012	2013f
Agriculture	12,988,809.19	14,421,928.95	15,918,631.70	17,625,142.90
Industry	13,992.438.93	17,615,537.36	19,024,322.24	20,671,951.45
Services	27,223,541.01	31,221,112.69	36,243,580.95	41,925,033.96
Total Nominal GDP	54,204,795.12	63,258,579.00	71,186,534.89	80,222,128.32

Source: NBS 2014

Table 3: Rebasings/Re-benchmarking of GDP

Sector	2010	2011	2012	2013f
Agriculture	24.0	22.80	22.40	21.97
Industry	25.81	27.85	26.72	25.64
Services	50.22	49.35	50.91	51.89

Source: NBS 2014

6.1 The role of the informal sector in Nigerian economic development: Output approach

The informal sector contributed in no small measure to the economic development of Nigeria. At the released data of the rebased GDP of Nigeria which has projected Nigeria to be the largest economy in Africa with a revised GDP of N80.2 trillion (\$509.9 billion). The informal sector accounted for 57.9% of the new series of Nigerian GDP. From tables 2 and 3 above, the agriculture sector contributed N17.6 trillion, representing 21.97% in 2013 to the GDP. In addition, the industrial sector accounted for N20.7 trillion to the GDP constituting 25.64% also in 2013. Further to this, the services sector contribution to the GDP in 2013 was N41.9 trillion comprising 51.89%. In total, the sum of N80.2 trillion (\$509.9 billion) was the GDP of Nigeria in 2013 surpassing that of South African \$384.3 billion placing the Nigerian economy as the largest in Africa. According to the UNDP representative in Nigeria, Dauoda Toure, the informal economy contributed 57.9% to Nigerian rebased GDP in 2013. Hence, if precise indicator on the share of the new rebased GDP of Nigeria can be acquired. One would discover that the informal sector has contributed immensely to the development of the Nigerian economy. However, the NBS (2014) noted that the rising GDP alone may not lead to economic development but is required for development. Similarly, Nigerians have reacted vehemently to the rebased GDP. They argued that if Nigeria is the largest economy in Africa, why is poverty, inequality, insecurity and unemployment continue to increase dramatically in Nigeria. In the same vein, President Goodluck Jonathan made a remark on the rebased GDP. According to him:

“Our Gross Domestic Product was rebased to give an accurate picture of where we are in a nation. I am glad to report to you that Nigeria is officially the largest economy in Africa with a Gross Domestic Product of \$510 billion which also places us as the 26th largest economy in the world. This feat is a collective achievement of all Nigerians

particularly when you take into account the fact that our Per Capital Income had increased by over 60% from \$1091 in 2009 to \$1700 in 2013, prior to the rebasing. While this calls for celebration, I personally cannot celebrate until Nigerians can feel the positive impact of our growth. There are still too many of our citizens living in poverty.”

The informal economy plays a crucial role in the growth and development of the Nigerian economy. It accommodates a large number of Nigerians through productive outlets who preferred to be self-employed, thus, contributing to the Nigerian economy in terms of output and employment. It also supplements the formal economy. For example, the informal economy in Nigeria contributes 57.9% to Nigerian GDP in 2013, while the formal sector compliments it with 42.1%. Furthermore, the informal sector in Nigeria offers various outlets for professional entrepreneurs from the medium and large scale enterprises who desired to be self-employed using minimal capital resources. According to Fapohunda (2012) “the informal sector stimulates and enhances innovation and adaptation; and also helps in the mobilization of capital and human resources which would otherwise have been laid waste and idle thereby increasing the utilization of virgin re-useable materials.” It can now be appreciated that the informal sector output is potential for the development of the Nigerian economy.

6.2 Contribution of the informal sector to employment generation in Nigeria

In terms of the contribution of the informal sector to employment in Nigeria, the informal sector employed over 48 million Nigerians according the National Bureau of statistics in 2010. Agriculture employed the largest percentage of informal workers with an approximate workforce of 14 million representing 30.5%. This is followed by Wholesale and Retail trade, Repair of Motor Vehicles and Motorcycles sector which employed 12 million informal workers constituting 24.9%. In addition, the Manufacturing, others Services Activities, Accommodation and Food Services Activities, Transport and Storage, Education and Construction employed a total of 16. 2 million informal workers composing of a total of 33.4%. Further to this, other sectors that include Administrative; Public Administration; Technical; Social Work; Information; Arts; Finance and Mining engaged a total 5. 4 million informal workers. See table 4 below for more on workers that are engaged by the informal sector.

Table 4: Labour Force Statistics of Informal Sector Workers in Nigeria

SECTOR	NUMBER EMPLOYED	%
Agriculture, Forestry and Farming	14,837,693	30.5
Wholesale and Retail trade, Repair of Motor Vehicles and Motorcycles	12,097,189	24.9
Manufacturing	5,337,000	11.0
Other Service Activities	3,471,702	7.1
Accommodation and Food Services Activities	2,730,308	5.6
Transportation and Storage	2,009,183	4.1
Education	1,557,665	3.2
Construction	1,142,569	2.4
Administrative and Support Service Activities	986,480	2.0
Public administration and defence, compulsory social security	800,333	1.6
Professional, scientific and Technical Activities	779,209	1.6
Human, Health and Social Work	739,936	1.5
Activities of Household as Employers, Undifferentiated Goods	551,353	1.1
Information and Communication	469,513	1.0
Arts, Entertainment and Recreation	390,275	0.8
Financial and Insurance Activities	171,403	0.4
Electricity, gas steam and air conditioning supply	152,610	0.3
Mining and Quarrying	146,488	0.3
Water Supply, Sewage, Waste Management and Remediation Activities	86,778	0.2
Activities of extraterritorial organizations and bodies	75,633	0.2
Real estate activities	68,697	0.1
Total	48,602,017	100.0

Sources: NBS 2010

The women constitute the highest number of workers in the informal sector, according to the data released by the NBS. Apart from the 7 million women that owned micro-enterprises, there are 27.7 million women working in the informal sector compared to the men of 27.1 million. The introduction of SAP which led to an economic crisis forced many of the women to seek refuge in the underground (informal) economic for survival. The informal sector is known for its drive in creating jobs and reducing unemployment and underemployment. It also reduces poverty despite the low income in the sector. Ojo (1981) and Adamu (2006) assert that the informal sector is composed of small scale enterprises engross in the production and distribution of goods and services with the core aim of generating employment and income in the absence of formal employment. The informal sector is potential in the creation of employment for the million of jobless youths in Nigeria who also include university graduates who cannot find employment in the formal sector. According to the supervising Minister of National Planning Commission, Bashir Yaguda, posits that the role of the informal sector in providing employment, alleviating poverty and contributing to the nation's GDP growth aspirations cannot be overestimated.

Despite the contribution of the informal sector in employment generation in Nigeria, poverty, inequality and unemployment are still increasing significantly. The last report of the World Bank on Nigeria indicated that Nigeria is the third country in the world with poor people. Similarly, the Nigerian Poverty Profile released by the NBS in 2012 shows that 112 million

Nigeria live in relative poverty. Buttressing this assumption, the World Bank Representative in Nigeria said 100 million Nigeria live in destitution. The youth unemployment rate is one major concern for the present Government of President Jonathan's administration. Youth unemployment has significantly jumped to 54% in the country. The unemployment situation is so pathetic that at a recent recruitment exercise by the Ministry of Internal Affairs for the Immigration Service, in which over 6 million Nigerians applied for 4, 000 vacancies and which led to the untimely death of 19 applicants including a pregnant woman due to stampedes at the requirement centers. Worried by this trend, the Minister of Finance Dr Ngozi Okonjo Iweala, at a recent function said the unemployment situation in the country is given her a sleepless night. The Minister said:

“According to the National Bureau of Statistics, each year, about 1.8 million young Nigerians enter into our labor market and we need to ensure that our economy provided jobs for them. In fact, some people ask, what keeps you awake at night, with regard to this economy? I say it is the issue of job creation. And I know this is what keeps Mr. President (Goodluck Jonathan) awake at night as well. That is why we have responded to the challenge of creating jobs by trying to transform several sectors of the economy; from agriculture, where we're expecting to create 3.5 million jobs and where the progress of reaching our goal of feeding this country is already well advanced.”

The role of the informal sector in the economic development of Nigeria vis a vis output and employment approach cannot be overemphasized. There is a tendency for the government to look into the possibility of embellishing the informal economy in its development policy option.

7. Recommendations

The informal sector is faced with a lot of challenges ranging from lack of access to credit facility; poor working conditions; harassment by local government personnel and extortion by government officials. In order for workers in the informal economy to be dignified, this paper suggests the following:

- The government should make provision of micro-loans to support the informal sector in order to boost their contribution to employment generation and the growth of the economy;
- Workers in the informal economy work in precarious conditions, there is a need by the appropriate authority to extend social protection and legal rights to the informal workers;
- Most of those who work in the informal economy, especially the petty traders display their goods along the major roads and strategic locations thereby always in conflict with local government officials. The provision of market stalls will heighten and support the activities of the informal economy
- Organizing the unorganized: The organized labour has a statutory role to play in organizing the informal workers. This will go a long way in making them to seek for better working condition from the government. Also, they should be organized into cooperative societies in order to provide them the opportunity to educate them so that they can enjoy government support.

Conclusion

The study holistically evaluates the role of the informal sector in the development of the Nigerian economy via the output and employment approach. The Nigerian informal economy contributed immensely to the new rebased GDP of Nigeria, it also employed a whopping 48 million Nigerians and created 13 million ownerships of microenterprises. Despite the support of the informal sector to Nigerian economic growth, the sector is faced with some challenges. Although, the Nigerian government is aware of the plights of the workers in the informal economy. There is a need for the government and the organized labor to support the sector in order to reduce the challenges confronting the sector.

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