



## REPORT

### SUPPORTING MEMBERS FROM THE INFORMAL ECONOMY AGAINST THE COVID-19 OUTBREAK FOR ONWARD TRANSITION TO FORMALITY IN GHANA



September 2020

## **EXECUTIVE SUMMARY**

### ***Introduction and Background***

The informal economy contributes immensely to Ghana's GDP and employment generation. It is estimated that the informal economy contributes about 41% to GDP and employs about 86% of the total workforce. Available evidence suggest that the existence and growth of the informal economy is caused mainly by a perceived tax burden, restrictive business regulatory environment and inadequate service delivery by government to support enterprises. The high informality has widened decent work deficit and regrettably promoted precarious employment in Ghana.

The emergence of the COVID-19 pandemic has exacerbated the plight of employers and employees in the informal economy. The imposition of a partial lockdown, border closures (land, sea and air) and restrictions on movement by government to halt the spread of the COVID-19 pandemic has adversely affected operators in the informal economy, who mandatorily require convergence of people and face-to-face contacts at places of work. The structure and operationalization of the actors in the informal economy make them susceptible to shocks from the COVID-19 pandemic. The nature of operations in the informal economy compromises the prescribed COVID-19 protocols, such as Social Distancing, required to halt the spread of the pandemic in Ghana. This phenomenon poses a danger to the economy as well as the enhancement and sustainability of decent work. With the high level of informality in Ghana, the impact of an aggravated spread of COVID-19 on the informal economy will be incalculable.

The Ghana Employers' Association (GEA) plays a pioneering role in organizing operators in the informal economy. The agency has assisted small and informal businesses within the Council for Indigenous Businesses Associations (CIBA). CIBA is an umbrella body of fifteen (15) business associations, comprising of market women, hairdressers, barbers, dressmakers, garage operators, farmers, welders, masons, jewellers, carpenters and painters, among others. In addition, GEA has embarked on a number of advocacy programmes, including recommendations to policy makers to provide adequate stimulus packages to cushion enterprises from the social and economic shock of the COVID-19 pandemic. It is worth noting that much of the work spearheaded by GEA focused on employers and enterprises in the formal economy.

It is against this background that the GEA with technical and financial support from ILO, Bureau of Employers' Activities (ACT/EMP) initiated this study to conduct a needs assessment survey of CIBA members and identify areas where GEA can offer support amid the COVID-19 outbreak. The study further seeks to evaluate the incentives required to facilitate a speedy transition from the informal economy to formality.

A purposive and simple random sampling techniques was used to select 524 enterprises (87.3% response rate) from 11 associations under CIBA. These include; Ghana National Association of Garages, National Drinking Bar-operators Association, Ghana Hairdressers

and Beauticians Association, Ghana National Tailors and Dressmakers Association, Federation of Ghanaian Jewelers, National Association of Refrigeration Mechanics, Ghana National Traditional Caterers Association, National Air-conditioning and Refrigeration Workshop Owners Association, Ghana Electronics Servicing Technicians Association, Indigenous Caterers Association of Ghana and Ghana Association of Barbers and Barbering Salon Owners.

### *Summary of Key Findings*

- Below are key findings of the survey: About 66 percent of the enterprises have registered their business at the Registrar General's Department.
- A total of nine (9) different levies and charges are paid by operators in the informal economy. It was found that 54.7 percent of enterprises have lamented the adverse effects these numerous taxes are having on their businesses.
- A total of 2,760 people was employed by the 524 enterprises, producing an average employment of 5 individuals.
- Paid employment constitutes the largest type of employment (i.e. 62.2%) with substantial presence of family members and apprentices.
- More than 70 percent of the employees in the informal economy are not unionized and are therefore not covered by Collective Agreement.
- The study found that 66.7 percent of enterprises do not have an action plan for Basic Occupational Safety and Health (BOSH) measures.
- It was found that 49.6 percent of enterprises do not have written contractual arrangements with their employees.
- The study found that 95 percent of enterprises do not contribute to pension schemes for their employees.
- The average daily working hours was found to be 11 hours. Also, enterprises were found to operate for 6 days in a week on average.
- More than 60 percent (i.e. 62.6%) of enterprises allow their female employees to go on maternity leave with most of them unpaid.

- The study found that 88.5 percent of enterprises experienced low demand for their produce/services due to the COVID-19 pandemic.
- Also, 38.7 percent of these enterprises were compelled to charge lower prices for their produce/service.
- About 65% of enterprises would require working capital to resume operations once the COVID-19 pandemic subsides.
- The study found that 19.3 percent of enterprises have either laid-off or suspended their workers due to COVID-19.
- About 13 percent of enterprises reported that this change disproportionately affected female employees relative to male employees.
- About 95 percent of enterprises surveyed have obtained their Tax Identification Number (TIN). About 65 percent of enterprises applied for COVID-related support services from government (stimulus packages) but had no response.
- As an incentive, 40.8 percent of enterprises want government to simplify payment processes by introducing mobile money to induce and boost tax compliance.

### *Policy Recommendations*

The following recommendations are made for policy consideration:

#### *Recommendations to GEA*

1. GEA in collaboration with its development partners should, as a matter of urgency, support CIBA and its members in the following capacity building and sensitization areas for onward transition to formality:
  - The Labour Laws of Ghana
  - Occupational Safety and Health
  - Maternity and Sick leave
  - Hours of work, Holidays and Overtime
  - Pensions and Social security benefits

2. GEA in collaboration with its development partners should also strengthen the structures of CIBA to effectively mobilize the informal operators for a quick transition to formality.
3. GEA should consider developing a Business Development and Occupational Safety and Health plans for CIBA members with focus on transition to formality. ACT/EMP can play an instrumental role in this regard.

### *Recommendations to CIBA*

1. CIBA should develop women empowerment programmes to ensure that the enterprise ownership gap between male and female in the CIBA membership is closed. This is necessary for poverty reduction, income equality and gender balanced business community in Ghana.
2. As part of the formalization process, CIBA in collaboration with the Ministry of Employment and Labour Relations should endeavor to educate and sensitize their members on the need to promote green enterprises. This initiative would contribute to preserve and restore the environment.

### *Recommendations to Regulatory Authorities*

1. Ministry of Employment and Labour Relations should work with the Social Partners (GEA and TUC) to expedite action on the implementation of the developed transition to formality roadmap to ensure that stakeholders benefit from the document
2. The Ministry of Trade and Industry should work with GEA and CIBA to develop industrial parks for the informal operators to serve as an incentive for formalization as well as organize the activities of CIBA members.
3. The government through the Ghana Revenue Authority (GRA) should consider a favorable review of the regulations and taxes for the operators in the informal economy, particularly at the infant stage.
4. The GRA in partnership with GEA and CIBA should embark on nationwide education and sensitization program on the need to acquire the TIN as well as its benefits to enterprises.

5. Government through the NBSSI should provide modalities on how informal employers can access the stimulus packages established.
6. The government, through the Ministry of Local Government and Rural Development should also defer the various levies paid to MMDAs by informal operators for at least 6 months in order to alleviate the social and economic impact of COVID-19 on enterprises
7. The government through the Ministry of Finance and Bank of Ghana, should implement sound macroeconomic policies that favor growth and development of formal enterprises. Sound policies should be designed to reduce the time and cost of doing business in Ghana.
8. The Ministry of Local Government and Rural Development, and the Local Government Service should review its permit requirement procedures to incentivize informal enterprises to obtain permits for their business activities.
9. The survey finds the use of Child Labour among the CIBA membership. It is recommended that efforts be made by the Ministry of Employment and Labour Relations, the National Steering Committee of Child Labour, and the Social Partners together with CIBA, to rid the informal economy of child labour.
10. The existence of multiplicity of fees and levies at the local government level serve as a disincentive for the formalization of informal enterprises. It is recommended that the Ministry of Local Government and Rural Development, the Metropolitan, Municipal and District Assemblies consider a review of their fees and levying system.
11. Government through the Ministry of Health and Ghana Health Service should work with GEA and CIBA to intensify the education on COVID-19 among the informal operators to totally bring the pandemic under control in Ghana.

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## **LIST OF ACRONYMS**

BOSH	Basic Occupational Safety and Health
CAP	Coronavirus Alleviation Program
CEO	Chief Executive Officer
CIBA	Council for Indigenous Businesses Associations
GDP	Gross Domestic Product
GEA	Ghana Employers' Association
GPS	Global Positioning System
GRA	Ghana Revenue Authority
ILO	International Labour Organization
MMDAs	Metropolitan, Municipal and District Assemblies
MMI	Mobile Money Interoperability
MSMEs	Micro, Small and Medium-scale Enterprises
NHIS	National Health Insurance Scheme
PPEs	Personal Protective Equipment
RGD	Registrar General's Department
SDGs	Sustainable Development Goals
SSNIT	Social Security and National Insurance Trust
TIN	Tax Identification Number
WEP	World Employment Programme

# CHAPTER ONE

## INTRODUCTION

### 1.1 Introduction and background to the study

The informal economy contributes immensely to Ghana's GDP and employment generation. The National Development Planning Commission (NDPC) (2016) estimates that the informal economy in Ghana contributes about 41% to GDP and employs about 86% of the total workforce. Ghana Statistical Service (GSS) (2017)<sup>1</sup> further reported that the informal economy in Ghana predominantly comprise of Micro, Small and Medium-scale Enterprises (MSMEs), consisting of producers, wholesale and retail traders, and service providers.

Available information suggest that the existence and growth of the informal economy is caused mainly by a perceived tax burden, restrictive business regulatory environment and inadequate service delivery by government to support enterprises (Pretap & Quintin, 2006)<sup>2</sup>. In Ghana, however, non-deterrent penalties, high rate of return on illegal and underground operations, low confidence in monetary system, high level of illiteracy and skills deficit, financial constraints and limited capacity of the formal sector to employ have been identified as factors which contribute to high informality. The existence of these determinants has widened decent work deficit and regrettably promoted precarious employment in Ghana.

The emergence of the COVID-19 pandemic has exacerbated the plight of employers and employees in the informal economy. The imposition of a partial lockdown, border closures (land, sea and air) and restrictions on movement by government to halt the spread of the COVID-19 pandemic have adversely affected operators in the informal economy, who mandatorily require convergence of people and face-to-face contacts at places of work.

In an attempt to alleviate the social and economic impact of COVID-19 on households and enterprises, the Government of Ghana has instituted the Coronavirus Alleviation Program (CAP) to support health workers, GH¢600 million soft loans for MSMEs and absorption of water bills and rebates for electricity. Furthermore, the Bank of Ghana has reduced the policy rate from 16% to 14.5% and the reserve requirements from 10% to 8% to provide liquidity support to critical sectors. The Ghana Revenue Authority (GRA) further extended the deadline for filling tax returns to cushion businesses. It is important to note that these interventions apart from water and electricity reliefs have largely benefited businesses in the formal sector.

The Ghana Employers Association (GEA) plays a pioneering role in organizing operators in the informal economy. The agency has assisted small and informal businesses within its affiliated organization, the Council for Indigenous Businesses Associations (CIBA). CIBA is an

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<sup>1</sup> Ghana Statistical Service (2017). Ghana Living Standard Survey; Round 7.

<sup>2</sup> Pretap, S. & Quintin, E. (2006). The informal sector in developing countries: outputs, assets and employment. *WIDER research paper No. 2006/130*.

umbrella body of fifteen (15) business associations, comprising of market women, hairdressers, barbers, dressmakers, garage operators, farmers, welders, masons, jewellers, carpenters and painters, among others. In addition, GEA has embarked on a number of advocacy programmes, including recommendations to policy makers to provide adequate stimulus packages to cushion enterprises from the social and economic shock of the COVID-19 pandemic. It is, however, important to note that much of the work spearheaded by GEA focused on employers and enterprises in the formal economy.

The structure and operationalization of the actors in the informal economy makes them susceptible to shocks from the COVID-19 pandemic. The nature of operations in the informal economy also compromises the prescribed COVID-19 protocols, such as social distancing, required to halt the spread of the pandemic in Ghana. This phenomenon poses a danger to the economy as well as the enhancement and sustainability of decent work. With the high level of informality in Ghana, the impact of an aggravated spread of COVID-19 on the informal economy will be incalculable.

The organizational structure of CIBA facilitates the mobilization of business owners in the informal economy. Moreover, Ghana has an informal economy roadmap which serves as a blueprint to facilitate a smooth transition to formality. It is important to note that the extension of the appropriate support scheme and an effective collaboration of the leaders of CIBA and policy makers will facilitate the transition from informality to formality.

It is against this background that the GEA with technical and financial support from ILO, Bureau of Employers' Activities (ACT/EMP) initiated this study to conduct a needs assessment survey of CIBA members and identify areas where GEA can offer support amid the COVID-19 outbreak. The study further also seeks to evaluate the incentives required to facilitate a speedy transition from the informal economy to formality.

### ***Box 1: Background and definition of the informal economy***

The concept of “informal sector” was initially introduced by Hart (1971) in his ground-breaking study on informal income opportunities and urban employment in Ghana. Subsequently, the concept was used in a Kenya Report published by the International Labour Organization (ILO) World Employment Programme (WEP) in 1972. Since then, the term has been widely used to characterize a segment of the economy with deficient formal arrangements. In spite of the extensive research works gathered to describe the features, causes and repercussions of the “informal sector” on economic growth and development, no universally accepted definition exists.

Nonetheless, there is a broad consensus by the ILO and other stakeholders on the use and application of the term “informal economy” rather than “informal sector”, albeit both terminologies used interchangeably. The choice of terminology by the ILO is premised on the knowledge that informality is not unique to certain firms or section of economic activity but rather across various sectors and productive activities of informal workforce, entrepreneurs and enterprises.

With this backdrop, ILO (2002) provided a concise definition for informal economy as:

*“all economic activities by workers and economic entities that are, in law or in practice, not covered or insufficiently covered by formal arrangements. Which means that their activities are either not included in law and are operating outside the formal reach of the law; or where they are operating within the formal reach of the law, the law is not applied or not enforced; or the law discourages compliance because it is inappropriate, burdensome, or imposes excessive costs”.*

The definition of informal economy provided by ILO (2002) consists of own-account workers, employers employed in their own informal sector enterprises, contributing family workers, employees holding informal jobs and own-account workers involved in the production of goods and services entirely for household consumption as well as members of informal producers’ cooperatives. Based on this definition of informal economy, ILO (2011)<sup>1</sup> further provided a comprehensive definition of what constitutes informal employment as:

*“all jobs included in the concept of employment in the informal sector except those which are classified as formal jobs in informal sector enterprises, refers to those jobs that generally lack basic social or legal protections or employment benefits and may be found in the formal sector or households”*

This definition of informal employment is job-centred and recognizes the fact that occasionally, formal enterprises employ workers informally, evading the payment of social security contributions, severance payments and other payments in the event of dismissal (Hussmann, 2005)<sup>1</sup>. Thus, this study adopts the (ILO, 2002; 2011) definition of informal economy and informal employment in its empirical analysis.

## 1.2 Objectives of the study

The study seeks to conduct a needs assessment survey of the CIBA members and identify areas that GEA can offer support to them amid the COVID-19 outbreak in Ghana for onward transition to the formal economy.

The specific objectives are:

- Conduct a needs assessment survey of members in the various Associations under CIBA.
- To identify areas that GEA can render services to members of CIBA amid the COVID-19 pandemic
- To evaluate the incentives required to facilitate a speedy transition from the informal economy to formality.

## 1.3 Methodology and Data Collection

The study extensively makes use of primary data to address the objectives of the study. The type and source of data was largely influenced by the objectives of the study as well as vast review of existing literature. The random and purposive sampling techniques were employed to draw enterprises in the informal economy to respond to a well-structured questionnaire. The purposive sampling technique was employed to incorporate all the fifteen (15) associations under CIBA. However, 11 out of the 15 associations were successfully responded to the survey instrument. These include; Ghana National Association of Garages, National Drinking Bar-operators Association, Ghana Hairdressers and Beauticians Association, Ghana National Tailors and Dressmakers Association, Federation of Ghanaian Jewellers, National Association of Refrigeration Mechanics, Ghana National Traditional Caterers Association, National Air-conditioning and Refrigeration Workshop Owners Association, Ghana Electronics Servicing Technicians Association, Indigenous Caterers Association of Ghana and Ghana Association of Barbers and Barbering Salon Owners<sup>3</sup>.

The simple random sampling technique was adopted to give equal chance to each enterprise to be interviewed. With collaborative efforts of the executives of the various associations, 600 enterprises were targeted to participate in the study nationwide. A fair chance was given to enterprises operating in ten (10)<sup>4</sup> regions of Ghana. This strategy ensured that the study covered enterprises in the Greater Accra region, Eastern region, Central region, Western

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<sup>3</sup> Ghana Co-operative Butchers Association, Market Traders Association, Ghana National Association of Traditional Healers and National Association of Beauticians and Hairdressers could not respond to the questionnaire.

<sup>4</sup> Until 2019, the Republic of Ghana had 10 administrative regions. However, a 2018 referendum and a subsequent amendment to Clause 5(i) of the 1992 constitution (also, the development of Constitutional Instrument, CI 113) allowed the creation of 6 additional regions, bringing the total number of regions to 16. In spite of this development, the various associations of CIBA still work from executives from the 10 initial regions.

region, Ashanti region, Upper West region, Volta region, Brong-Ahafo region, Upper East region and Northern region. Nonetheless, 524 (87.3%) of enterprises across the 10 regions were successfully responded.

#### **1.4 Inception Meeting and Focus Group Discussion**

Prior to the development of the survey instrument, an inception meeting and focus group discussion was held between the Consultant, representatives from GEA and the leadership of CIBA. The meeting was initiated to clearly understand the scope of the assignment, and the specific interventions required by parties during the project. This exercise provided experiential information regarding the various informal enterprises in Ghana as well as deliberation of relevant issues to be incorporated in the survey instrument. The focus group discussion was held at the headquarters of CIBA. The discussion pre-empted the possibility of conducting an expansive survey that covers informal enterprises nationwide by liaising with the regional executives of the various associations under CIBA.

#### **1.5 Survey Instruments**

The information compiled from the inception meeting and the focus group discussion as well as extensive review of existing literature were harnessed to produce a well-structured questionnaire. The questionnaire developed is in cognisance with the standards stipulated by the ILO resolution and Labour Market Surveys with some modifications to suit the Ghanaian environment. The questionnaire captured various themes that uphold the realization of the Sustainable Development Goal (SDG) 8, which seeks to promote decent work, encourage formalization and growth of SMEs. The questionnaire was categorized into five (5) main headings: Section A focused on the nature and description of enterprises operating in the informal economy; Section B sought information on occupational health and safety; Section C focused on employment arrangements and working conditions; Section D sought to elicit information on COVID-19 and enterprise performance and; Section E captured issues regarding government and financial services as well as incentives to enhance speedy transition to formality. Most of the questions were closed to ensure consistency of responses and easy analysis of results.

#### **1.6 Pilot Study**

Pre-testing a survey instrument helps to make the necessary adjustments to the questions in the survey instrument to ensure appropriateness and validity. In piloting the survey instrument, respondents were interviewed to answer as many questions as possible, skipping the questions they believed to have little or no idea. This was done to ensure that realistic and practical scenarios were developed in designing the survey instrument. This approach helped the survey team to gauge the time required to complete the questionnaire. The questionnaire was piloted using ten (10) enterprises who were randomly selected in the



La Nkwantanang Madina Municipality in the Greater Accra region. Moreover, the pilot study served as a practical training session for the five (5) enumerators who administered the final survey instrument.

### 1.7 Fieldwork

The respondents of the questionnaire were predominantly CEOs of enterprises operating in the informal economy. Specifically, the sample comprised predominantly of regional executives of the various associations under CIBA and their members. The field work employed two (2) distinct interviewing approaches; face-to-face interviews and phone interviews albeit the latter being predominant. The phone interview was used to reach respondents who were outside the Greater Accra region. The contact information of these respondents was provided by CIBA and the regional executives of the various associations operating in the informal economy. The face-to-face interview were conducted on enterprises in the Greater Accra region. The choice of the interview techniques was largely informed by the level of education of informal operators as well as enhancing COVID-19 safety protocols. The survey began on 1<sup>st</sup> August and ended on 1<sup>st</sup> September, 2020. On the average, these interviews lasted for approximately 30 minutes.

The procedure in conducting the phone interview and face-to-face interview included the following:

- ❖ ***Self-introduction and brief background to the research project.*** After identifying the respondent, the interviewer introduced him/herself and provided brief information regarding the objectives of the study and the time required to complete the interview. The respondents were then asked whether they had any questions regarding the research.
- ❖ ***Secure the informed consent of the respondent.*** The interviewer then questions the participant whether he/she is willing to participate in the study. After a verbal consent was given, the interviewer notes the participant in a notebook. In cases, where the participant refused to participate in the interview, the reasons were noted down accordingly.
- ❖ ***Schedule the interview.*** The interviewer immediately schedules the interview depending on the availability and convenience of the participant.
- ❖ ***Conduct the interview.*** Upon agreement from the participant, the interviewer begins the interview. However, the participants were oriented that there were no right or wrong answers. This strategy was deployed to boost the confidence of the participant. After exhausting the interview questions, the participant is asked whether or not he/she has any comment.
- ❖ ***Thank the respondent.***

### **1.8 Mode of Data Analysis**

STATA 14 was used to collate and analyze the survey data. Simple descriptive statistics such as percentages, means and standard deviations were used to describe the data. These results were presented in tables and charts to provide clear description of the data. Also, the binomial logit model was used to estimate the factors that explain the decision of informal enterprises to formalize their operations. The model went beyond the descriptive statistics to investigating factors that have the potency to causing the informal enterprises to formalize.

### **1.9 Structure of the Report**

This report is organized into six (6) chapters of which this is the introductory chapter. It comprises of the background and objectives of the study as well as the methodology employed and data collection procedures. Chapter 2 deliberates on the nature and description of enterprises operating in the informal economy. Moreover, Chapter 3 discusses employment arrangements and working conditions while Chapter 4 focuses on issues concerning COVID-19 and enterprise performance. Chapter 5 of the study examines services provided by government as well as incentives required to facilitate a speedy transition from the informal economy to formality. Finally, Chapter 6 provides the conclusion and recommendations for policy purposes.

## CHAPTER TWO

### NATURE AND DESCRIPTION OF INFORMAL ENTERPRISES

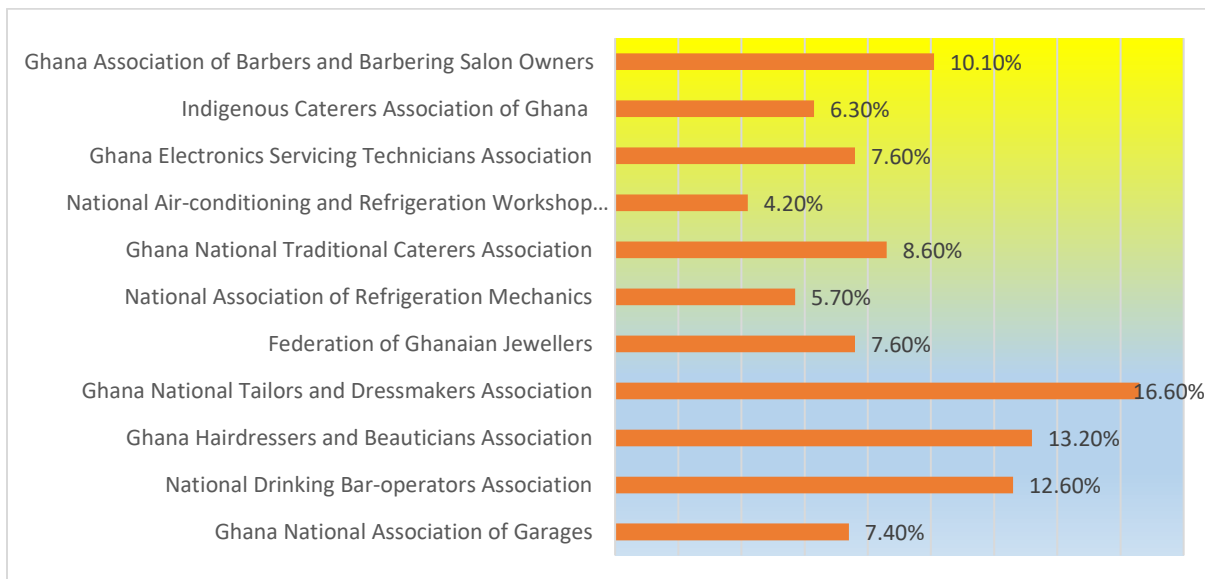
#### 2.0 Introduction

This chapter discusses the characteristics of the enterprises involved in the study. These enterprise features consist of the association under CIBA, age of enterprise, educational background as well as business registration and size of enterprise. As noted earlier 524 enterprises were involved in the study.

#### 2.1 Enterprise Association, Firm Structure and Educational Level

The results show that about 17 percent of the enterprises belong to the Ghana National Tailors and Dressmakers Association. This is followed by the Ghana Hairdressers and Beauticians Association which constituted about 13 percent of the sample surveyed. Ghana Drinking Bar-operators Association and the Ghana Association of Barbers and Barbering Salon Owners constituted 12.6 percent and 10.1 percent of the enterprises surveyed respectively. It is important to note that, the members of these associations dominate the informal sector in Ghana.

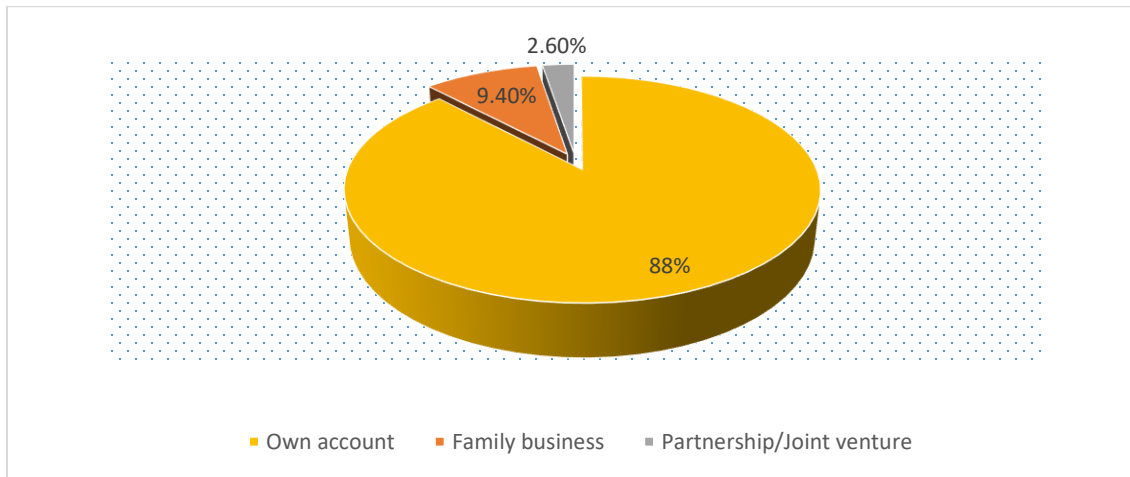
**Figure 2.1: Distribution of Enterprise Associations under CIBA**



Source: Author's Computation from Field Data

Regarding the legal ownership of the firm, the study found sole proprietorship to be the most dominant form of business with 88 percent of total responses. Family businesses constituted 9.4 percent of the enterprises surveyed. Partnerships or joint ventures only accounted for 2.6 percent of enterprises.

**Figure 2.2: Distribution of Nature of Enterprises**



**Source: Author’s Computation from Field Data**

The results obtained further indicated that the average age of an enterprise stood at 19.2 years (see Table 2.1). The average exceeds the standard deviation which means that the age of the individual enterprises is closer to the average enterprise age. It was also gathered that the minimum age of the enterprises surveyed is 3 years with the maximum recording 88 years. Further introspection revealed that many of the aged enterprises were family businesses which were passed on to the next generation.

**Table 2.1: Age of Enterprises**

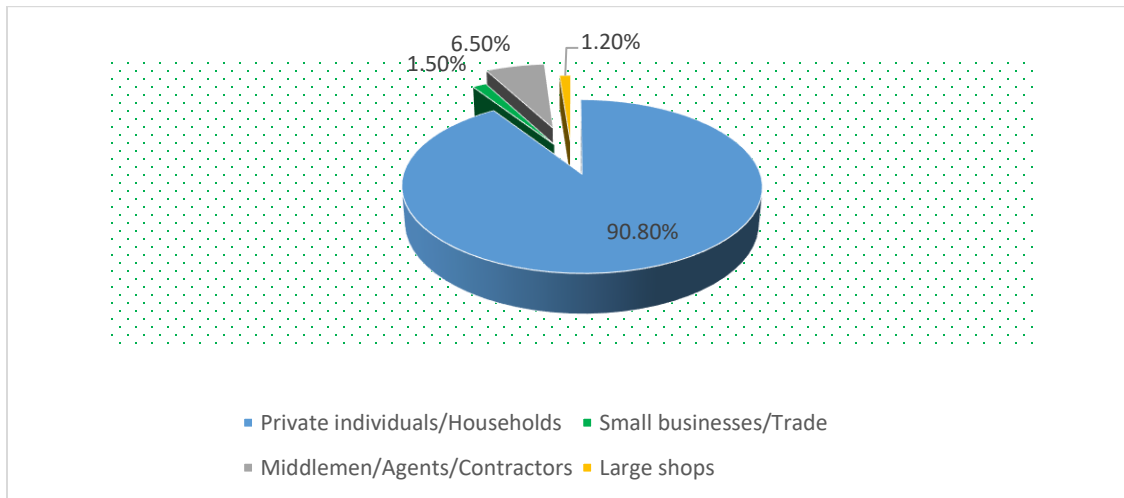
Average	Std. Dev	Min	Max
19.2	10.5	3	88

**Source: Author’s Computation from Field Data**

The study further examined the destination of the goods and services of enterprises operating in the informal sector. The results obtained indicated that majority (90.8%) of these enterprises sell their final goods and services to private individuals and households. This result corroborates the findings of Abor & Biekpe (2006)<sup>5</sup> who reported that majority of SMEs in Ghana were sole proprietorships and produced commodities that served immediate markets within their location. The study further gathered that 6.5 percent of enterprises sell their commodities to middlemen and agents in the supply chain. However, it is unsurprising to note that no enterprise surveyed was engaged in the international market and export of produce.

<sup>5</sup> Abor, J. & Biekpe, N. (2006). Small Business Financing Initiatives in Ghana. *Problems and Perspectives in Management*, 4(3), pp. 69-77.

**Figure 2.3: Destination of Final Enterprise Produce**



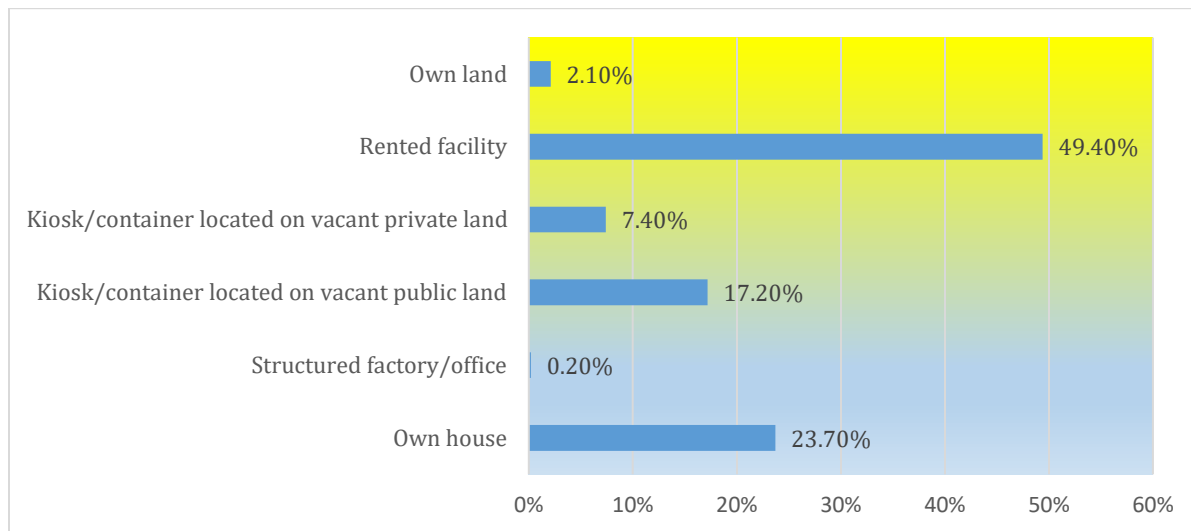
**Source: Author's Computation from Field Data**

Following the works of (Farrell et al., 2000<sup>6</sup>; Ofori, 2009<sup>7</sup>), one important feature that characterizes operators in the informal sector is the structure and location of place of work. An examination of the place of work revealed that nearly half (i.e. 49.4%) of the enterprises surveyed operated in rented facilities. Moreover, a sizeable proportion (i.e. 23.7%) operated their enterprises in their own house. The study further found that 17.2 percent of the enterprises were operating in a kiosk/container on a vacant public land while 7.4 percent operated in a similar space on a vacant private land. Farrell et al. (2000) referred to these vacant public/private lands as “no man’s land”. This arrangement of work space adversely affects the sustainability and longevity of informal enterprises, as they are forced to vacate the land for constructional development purposes (Ofori, 2009). This is because they have no legal title to the land on which they situate their kiosks and containers.

<sup>6</sup> Farrell, G., John R. & Fleming M., (2000). Conceptualizing the Shadow Economy. *Journal of International Affairs*, Vol. 53, No. 2 p.38

<sup>7</sup> Ofori E. (2009) Taxation of the informal sector in Ghana: a critical examination. Institute of Distance Learning. KNUST, Kumasi.

**Figure 2.4: Distribution of Place of Work**



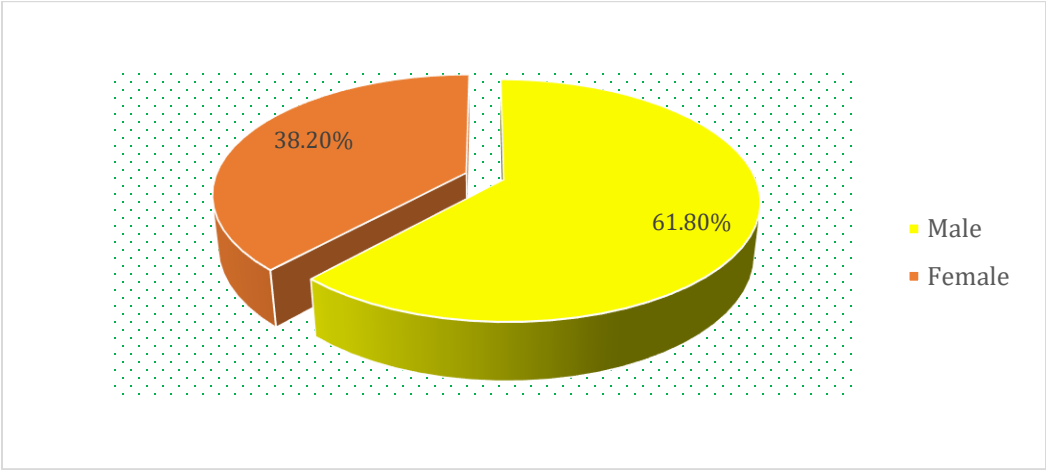
**Source: Author's Computation from Field Data**

Figure 2.5 presents the distribution of the head of enterprise. The gender of the head of a business entity has implications on the nature of decisions made by the enterprise. Apusigah (2002)<sup>8</sup> observed that gender stereotypes and historical antecedents have been unfavourable towards women who head business enterprises. The results obtained from the survey indicate that 61.8 percent of the enterprises surveyed were male-headed while 38.2 percent were female-headed. This clearly shows that enterprises sampled were male dominated. This is particularly due to the multiplicity of male-dominated occupations interviewed. For instance, garages, refrigerators and air-condition owners, electronics servicing technicians and barbers were solely operated by males. With the exception of hairdresser, all the associations surveyed were gender-mixed occupations.

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<sup>8</sup> Apusigah, A. (2002). Reconsidering women, development and education in Ghana: Toward critical transformations. Unpublished doctoral dissertation submitted to Queen's University, Kingston, Ontario.

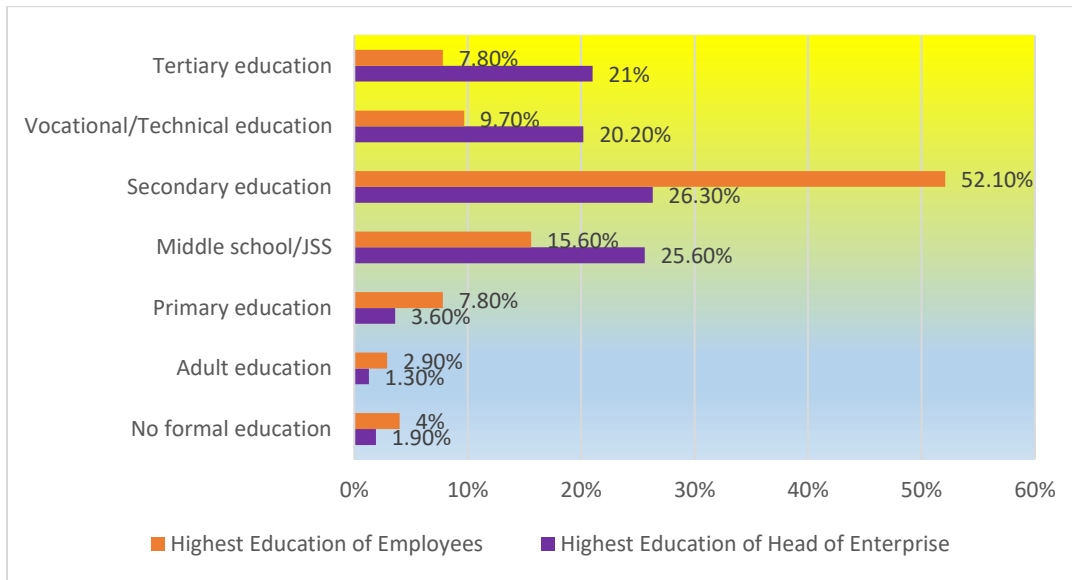
**Figure 2.5: Gender of Head of Enterprise**



**Source: Author's Computation from Field Data**

The level of education has been empirically proven to be a key determinant of business success. While it is true that the educational attainment of the head of an enterprise is important in spearheading the strategic direction of a firm, empirical evidence suggest that a proprietor with low educational background with the financial prowess can employ individuals with the requisite skills to grow the business. An analysis of the educational background show that more proprietors (21%) attained tertiary education than their employees (7.8%). Similar results were obtained for vocational/technical education where proprietors recorded 20.2 percent compared to 9.7 percent by employees of the enterprise. However, a higher proportion of employees (52.1) attained secondary education than their proprietors (26.3%). The results obtained provide evidence to suggest that many head of enterprises employ individuals who possess lesser academic qualification. The summary of the results of the highest educational attainment is presented in Figure 2.6.

**Figure 2.6: Highest Educational Attainment**

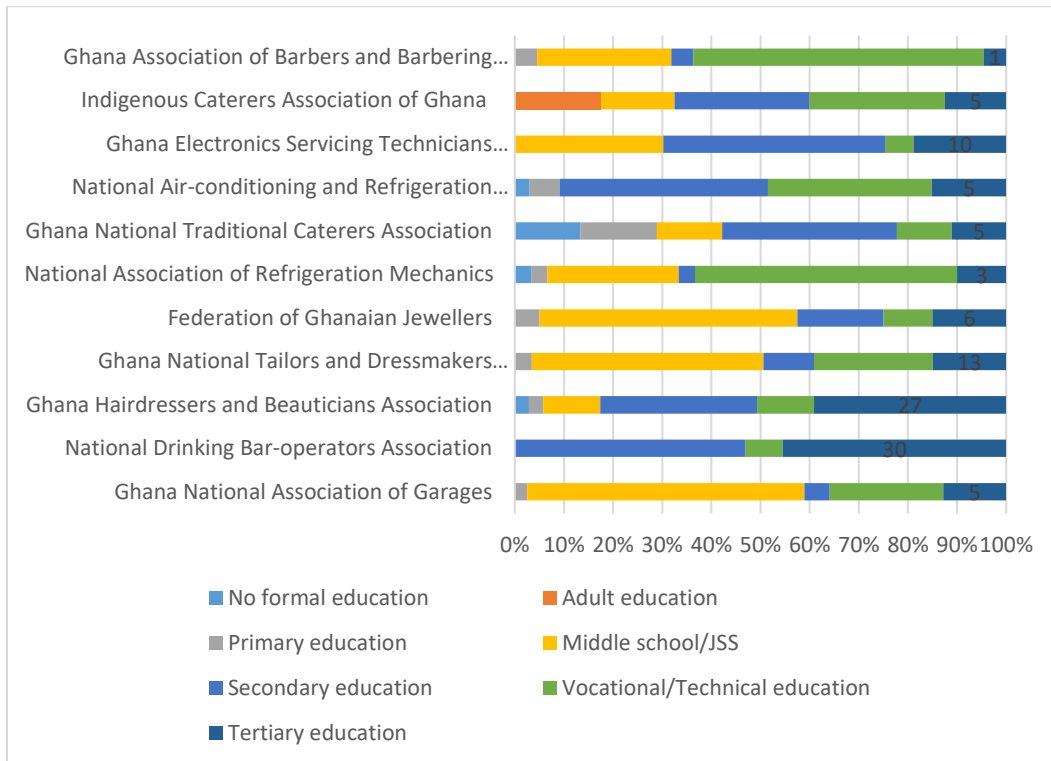


**Source: Author's Computation from Field Data**

The survey also revealed that drinking bar operators (i.e. 50.7%) and hairdressers (50.7%) were found to have higher educational attainment (i.e. vocational/technical education and tertiary education) than the other associations surveyed. The survey also found that majority of refrigeration mechanics (i.e. 53.3%) have attained vocational/technical education. Moreover, 47.1 percent of tailors and dressmakers were Middle School/JSS leavers.



**Figure 2.7: Analysis of Education by Activity**

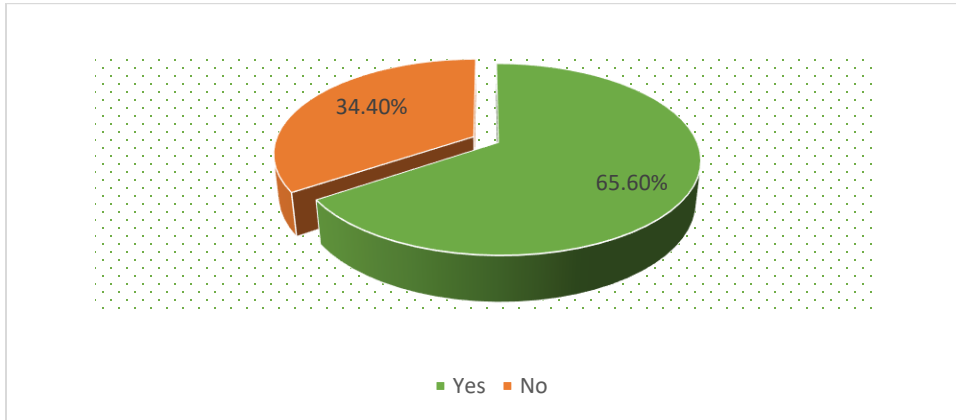


Source: Author’s Computation from Field Data

## 2.2 Business Registration and Tax Requirements

A distinguishing feature of formal enterprises is the registration of their businesses at designated state institutions. The study therefore analyzed the proportion of enterprises who had registered their business at the Registrar General’s Department (RGD). The results obtained show that 65.6 percent of the enterprises surveyed had registered their businesses (see Figure 2.8). The rather high registration rate could be explained by their associational membership to CIBA who require some level of formality for operation.

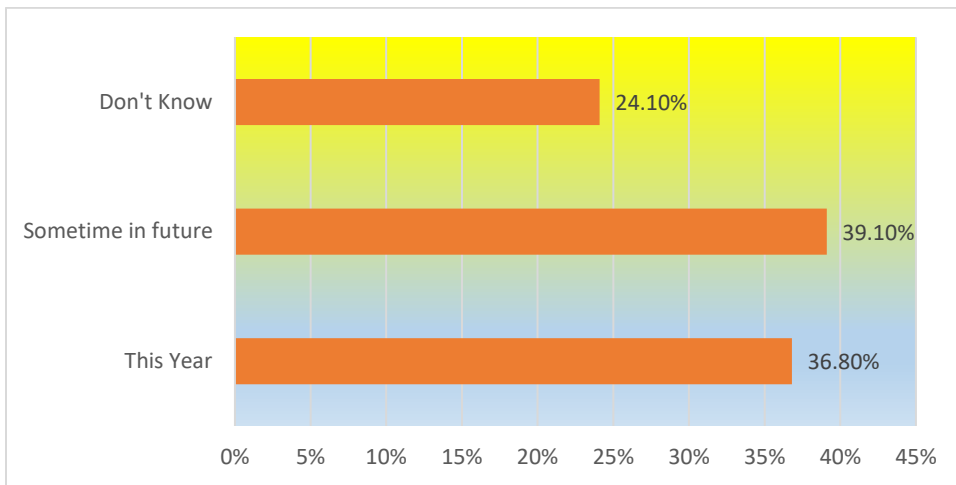
**Figure 2.8: Enterprise Registration**



**Source: Author's Computation from Field Data**

However, 36.8 percent and 39.1 percent of enterprises who have not registered their enterprises intended to do so this year and sometime in the future respectively (see Figure 2.8).

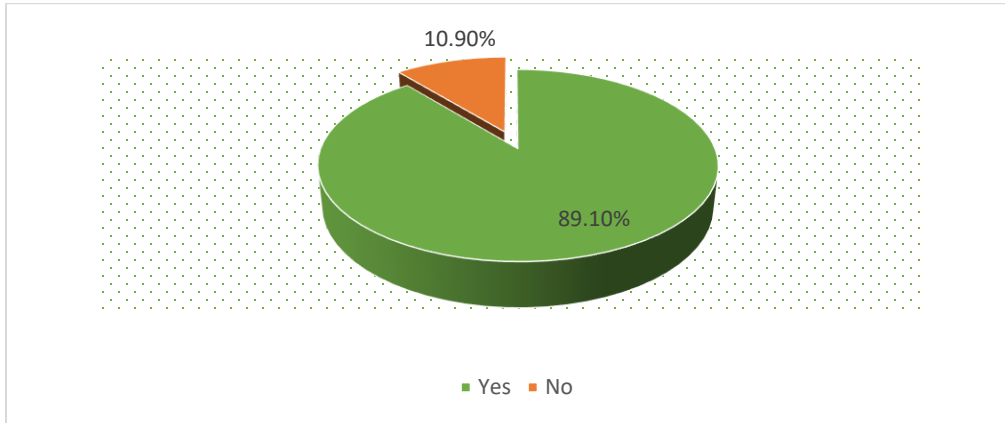
**Figure 2.9: Intention to Register Enterprise**



**Source: Author's Computation from Field Data**

Moreover, about 89 percent of the enterprises had obtained permit from local authorities, particularly Metropolitan, Municipal and District Assemblies (MMDAs) to operate. The decentralized nature of government mandates MMDAs to ensure that firms obtain permit before operation in their jurisdiction.

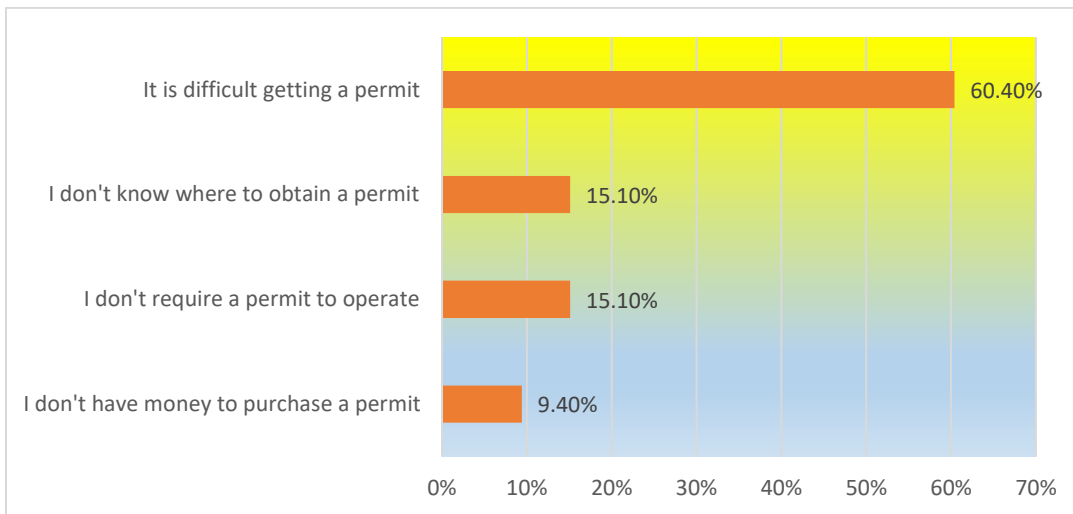
**Figure 2.10: Distribution of Business Permit**



**Source: Author's Computation from Field Data**

In spite of the proximity of MMDAs to business enterprises, some firms were unable to obtain permit for their operations. About 60 percent of enterprises who do not have business permits cited the difficulty in obtaining permit as the ultimate reason.

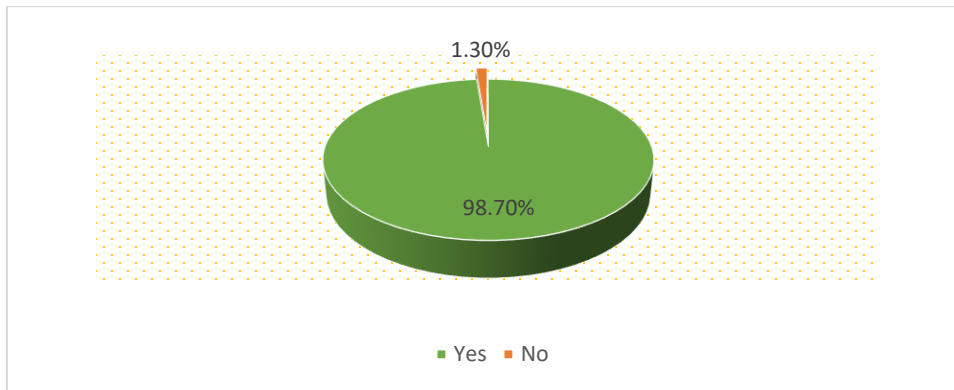
**Figure 2.11: Inability to Obtain Permit**



**Source: Author's Computation from Field Data**

In spite of the challenges in obtaining business permits, 98.7 percent of the enterprises surveyed pay charges and levies to local authorities and other associations (see Figure 2.12).

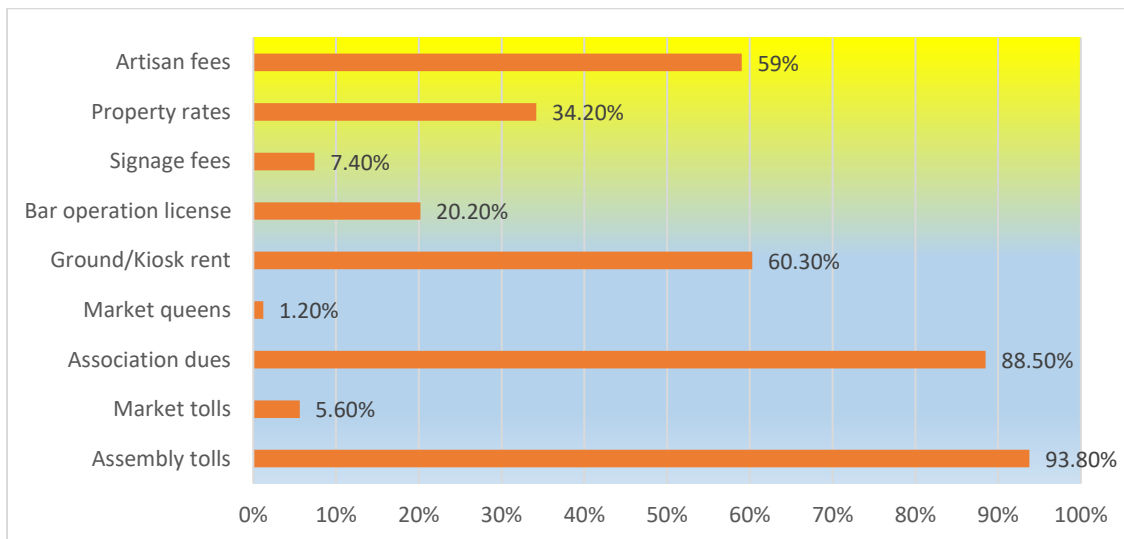
**Figure 2.12: Payment of Fees and Levies**



**Source: Author's Computation from Field Data**

The study further gathered that, a total of nine (9) different levies and charges are paid at different intervals by these enterprises. Assembly tolls and association dues constitute the dominant fees paid, with the former and latter paid by 93.8 percent and 88.5 percent of enterprises respectively.

**Figure 2.13: Distribution of Levies & Charges**

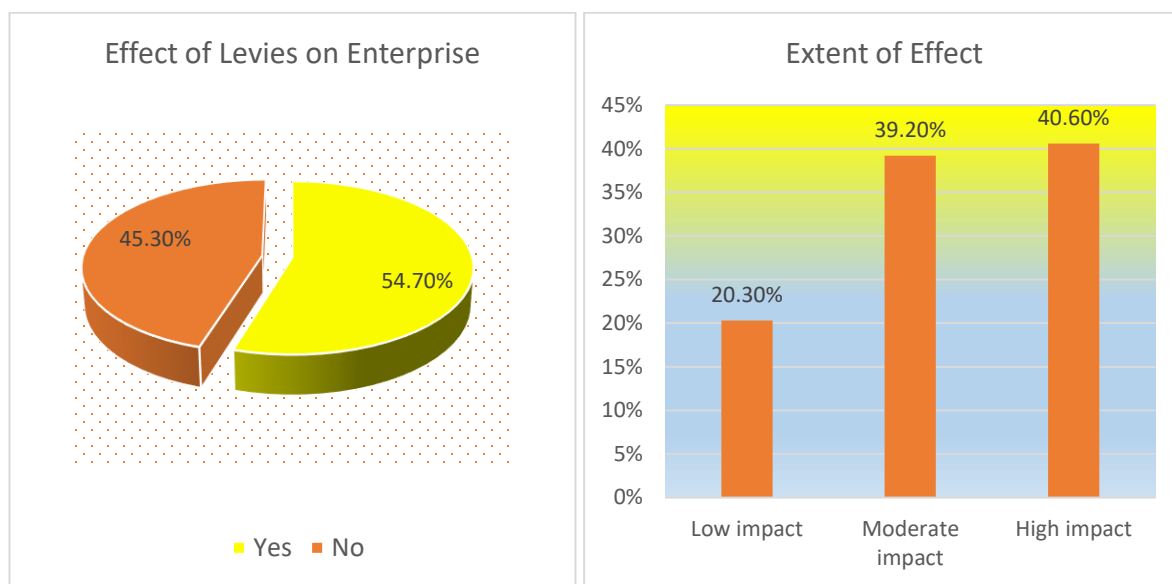


**Source: Author's Computation from Field Data**

The multiplicity of these fees and charges have been found to have varying levels of effects on operational cost and business profitability of informal enterprises. Results from the survey indicate that 54.7 percent of enterprises admitted the adverse effect these numerous fees and charges have on their operations. Of these, 40.6 percent reported that these levies have a high impact on their businesses (see Figure 2.14). Most of these levies were generally

reported to be paid either monthly or quarterly. Ofori (2009) observed that the low returns on investments by informal enterprises is partly attributable to the numerous taxes they are required to pay. This phenomenon has forced some informal operators to hide from personnel from local authorities during business inspection (Farrell et al., 2000; Ofori, 2009).

**Figure 2.14: Effect of Levies on Business Enterprises**



Source: Author's Computation from Field Data

### 2.3 Firm Size, Type of Labour and Employee Trade Unions

The number of employees is the commonest criteria used to measure the size of an enterprise. The results obtained show that all the 524 enterprises surveyed employ a total of 2,760 individuals, with an average of 5 employees per enterprise. The study further found that five (5) types of labour were used. These include partners, paid employees, paid family members, unpaid family members and apprentices.

**Table 2.2: Distribution of Employment Categories**

Type of Labour	Percentage (%)	Total
Partners	5.4	150
Paid employees	62.2	1717
Paid family members	1.7	46
Unpaid family members	5.9	163
Apprentices	24.8	684
<b>Total</b>	<b>100</b>	<b>2760</b>

Source: Author's Computation from Field Data

Table 2.2 provide evidence to show that paid employment constitutes the largest type of labour (62.2%) used by enterprises. Moreover, a total of 209 family members were employed, albeit unpaid family members constituted majority (i.e. 78%) of that sum. Due to the artisanal nature of most informal enterprises, apprenticeship is highly prevalent. The study recorded a total of 684 apprentices, representing 24.8% of total employment.

In addition, the survey found that employment is fairly distributed by gender. Specifically, 50.1 percent of total employment were males and 49.9 percent were females. Also, female paid employees constituted about 65 percent of total female employment.

**Table 2.3: Employment by Gender**

<b>Type of Labour</b>	<b>Male</b>	<b>Male (%)</b>	<b>Female</b>	<b>Female (%)</b>
Partners	47	3.4	103	7.5
Paid employees	819	59.2	898	65.3
Paid family members	37	2.7	9	0.6
Unpaid family members	72	5.2	91	6.6
Apprentices	409	29.5	275	20.0
<b>Total</b>	<b>1384</b>	<b>100</b>	<b>1376</b>	<b>100</b>

Source: Author's Computation from Field Data

The International Labour Organization (ILO) Convention 182 underscores the importance of eradicating all forms of child labour. It is therefore imperative to study the age category of the individuals employed by these enterprises. The results obtained indicate that 73.2 percent of total employment fall between 15-29 years. Moreover, 34 employees (1.2% of total employment) were below 15 years.

**Table 2.4: Age Distribution of Employment**

<b>Age Category</b>	<b>Average</b>	<b>Total</b>
Below 15 years	1.4	34
15-29 years	4.1	2021
Above 29 years	2.6	705

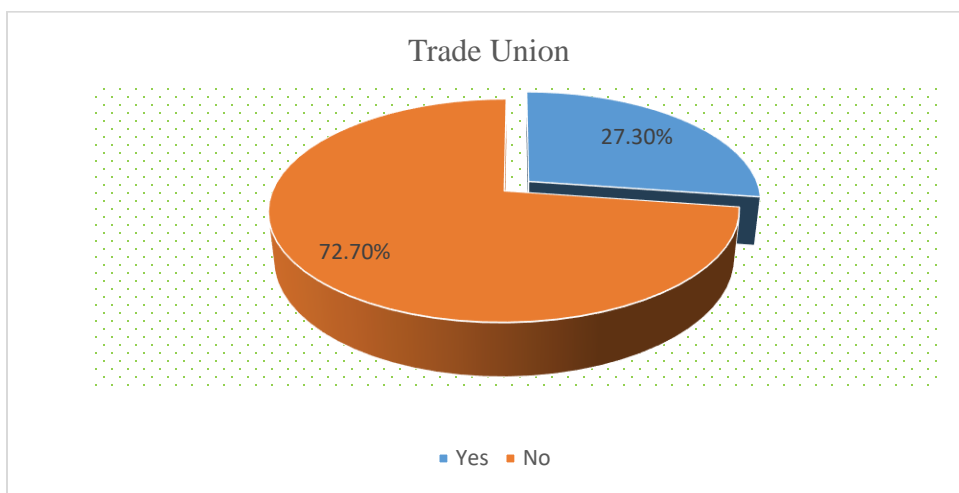
Source: Author's Computation from Field Data

The Labour Act 2003 (Act 651) grants every employee the right to either form or join a trade union to enhance and protect the economic and social rights of the worker. Moreover, Collective Bargaining is enshrined in the labour law and agreements reached are binding on all parties. Section 96 of Act 651 provides as follows:

*“subject to the provisions of this Act, a collective agreement relating to the terms and conditions of employment of workers, may be concluded between one or more trade unions on one hand and representatives of one or more employers or employer’s organizations’ on the other hand”.*

Based on this premise, the survey enquired whether or not the employees of the enterprises surveyed were part of a trade union. The results obtained indicate that only 27.3 percent of the enterprises reported that their employees were part of a trade union (see Figure 2.15). This phenomenon inadvertently weakens the bargaining power of these employees.

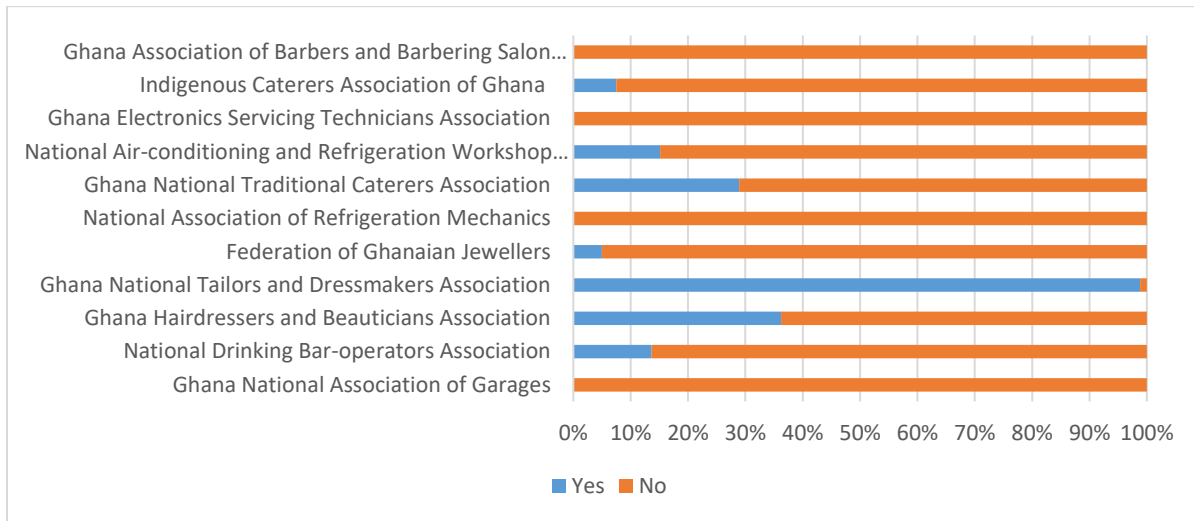
**Figure 2.15: Trade Union Participation**



**Source: Author’s Computation from Field Data**

The study also found that 98.8 percent of tailors surveyed were part of a trade union. Moreover, respondents from garages, electronics servicing, refrigeration mechanics and barbers were all not part of any trade union.

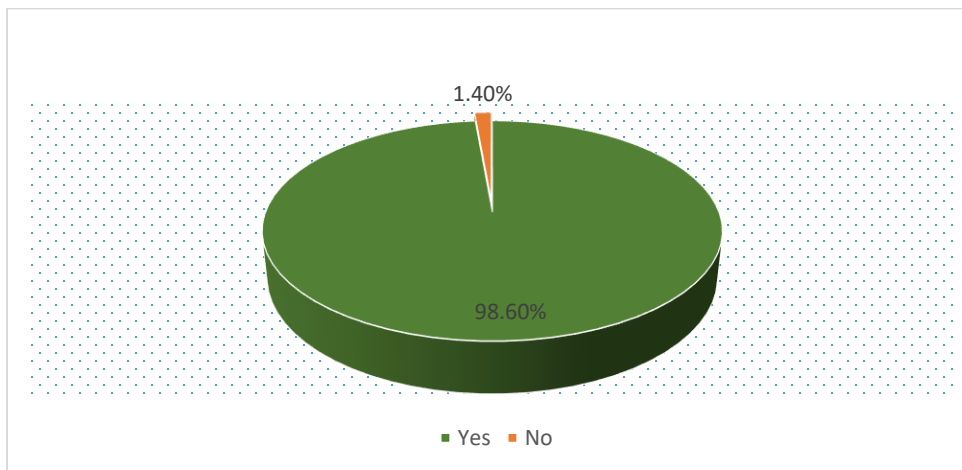
**Figure 2:16: Trade Union Participation by Activity**



**Source: Author’s Computation from Field Data**

However, out of the respondents who reported to be members of a trade union, majority of them (98.6%) practice collective bargaining with the union.

**Figure 2.17: Collective Bargaining by Unions**



**Source: Author’s Computation from Field Data**



## CHAPTER THREE

### EMPLOYMENT ARRANGEMENTS AND WORKING CONDITIONS

#### 3.0 Introduction

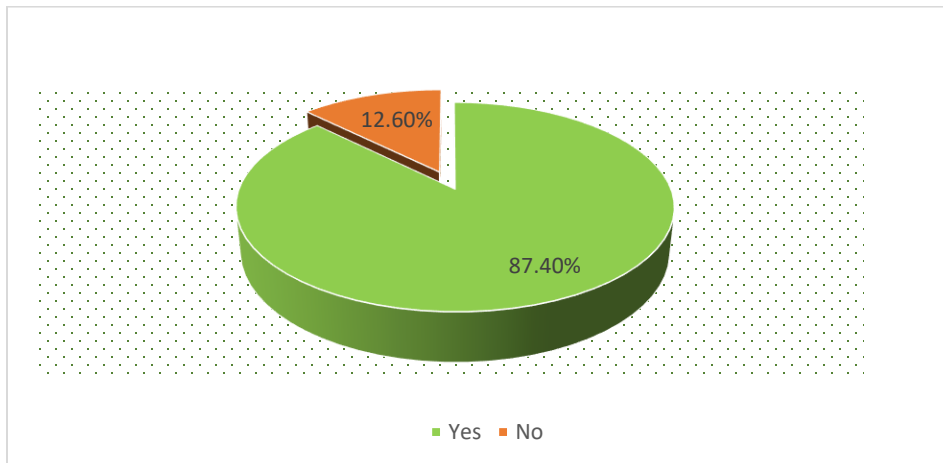
This chapter discusses employment arrangements and the conditions under which work is done. It typically details issues regarding Occupational Safety and Health and Social Security, Working Hours and other variables that define decent work.

#### 3.1 Occupational Health and Safety

The informal economy is often characterized by poor environmental conditions. This phenomenon is as a result of the structural nature of their operations. This study found a sizeable proportion of enterprises to operate from residential premises and kiosks located on public and private lands.

This study therefore enquired whether the enterprises surveyed mainstream Basic Occupational Safety and Health (BOSH) measures to protect the workers and the workplace. The results indicate that 87.4 percent of enterprise incorporate BOSH measures. Many of the enterprises who incorporate BOSH measures use Personal Protective Equipment (PPEs) such as wellington boots, hand gloves, eye glasses, helmets and hair nets. Enterprises such as caterers, jewellers, mechanics, electronic servicing technicians and bakers whose economic activities involves the use of fire, possess fire extinguishers and first-aid boxes. It is important to note that the type of BOSH measures mainstreamed depends on the type of enterprise.

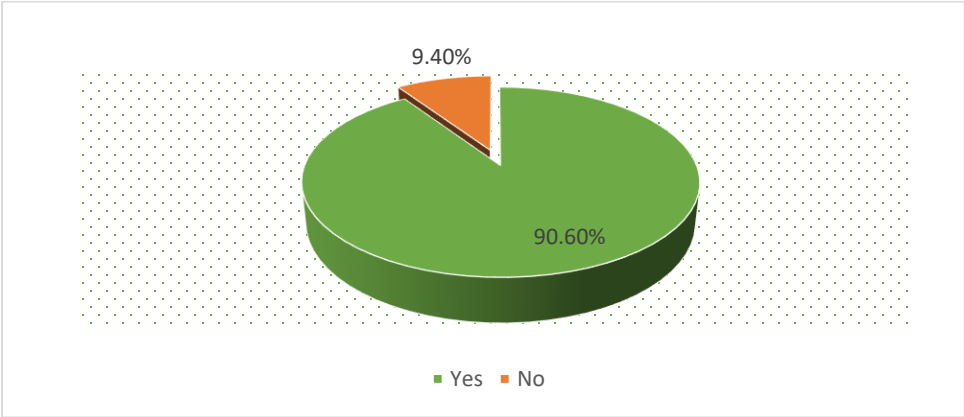
**Figure 3.1: Existence of Occupation Safety and Health**



Source: Author's Computation from Field Data

Moreover, the survey enquired whether the enterprises who could not mainstream BOSH in their economic activities needed support to do so. The results show that 90.6 percent of these enterprises requested the need for support to help institutionalize these procedures in their economic activities.

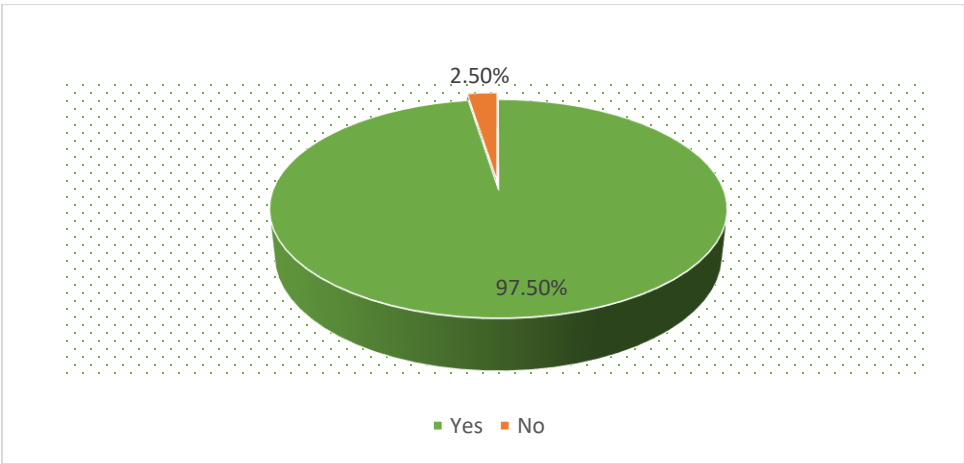
**Figure 3.2: Need of Support for BOSH**



Source: Author’s Computation from Field Data

Also, 97.5 percent of the enterprises surveyed believed that regular capacity building programmes by their association would encourage them to regularize BOSH measures in their activities.

**Figure 3.3: Importance of Regularizing BOSH**

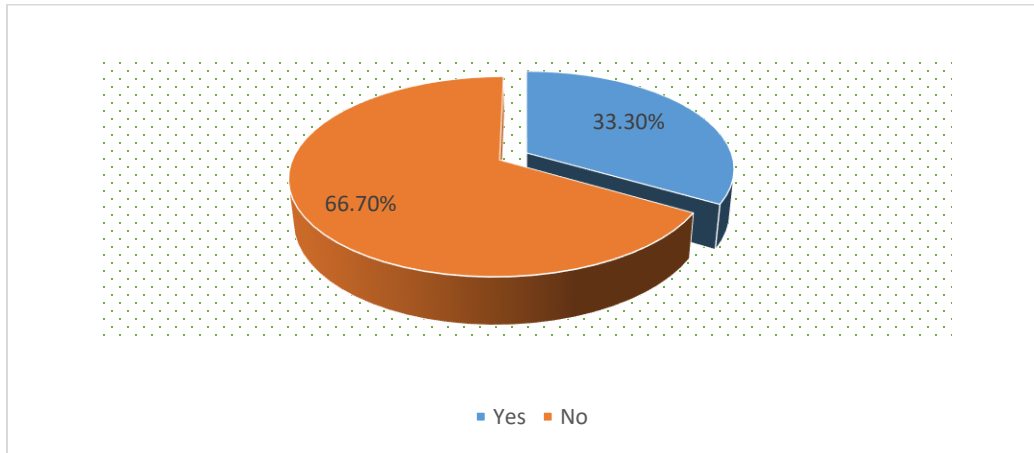


Source: Author’s Computation from Field Data

Although, majority of enterprises reported that they mainstream BOSH measures in their economic activities, only 33.3 percent of all enterprises surveyed actually had a BOSH action

plan. This clearly shows that most of these enterprises use known albeit unwritten safety measures without following a formal plan.

**Figure 3.4: Existence of BOSH Action Plan**



Source: Author's Computation from Field Data

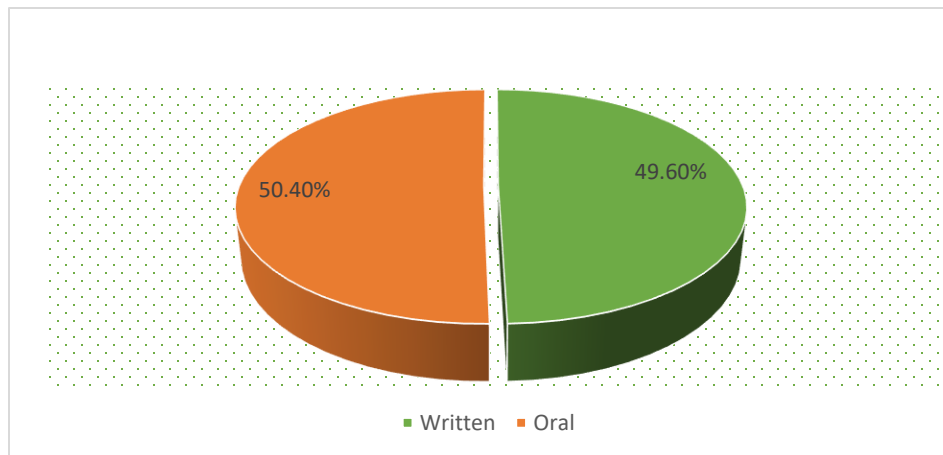
### 3.2 Contractual Employment Arrangements

Ghana is a signatory to several International Human Right treaties, including Covenant on Economic, Social and Cultural Rights. Ghana has ratified about 50 ILO Conventions and domesticated some of these treaties to enhance the right of workers. However, the labour laws of Ghana do not make a distinction between formal and informal sector workers. The labour laws of Ghana (Act 651, 2003) require that employment relationships are formalized with signing a written contract between employers and workers. Specifically, Section 12 of the Labour Act stipulates that:

*“the employment of a worker by an employer for a period of six months or more or for a number of working days equivalent to six months or more within a year shall be secured by a written contract of employment”.*

While this provision in the Labour Act is clear, the results from the survey indicate that the employment arrangement of 50.4 percent of enterprises were handled orally. This arrangement makes monitoring and law enforcement on the rights of the informal workers complex.

**Figure 3.5: Contractual Arrangement**



Source: Author's Computation from Field Data

### 3.3 Social Security

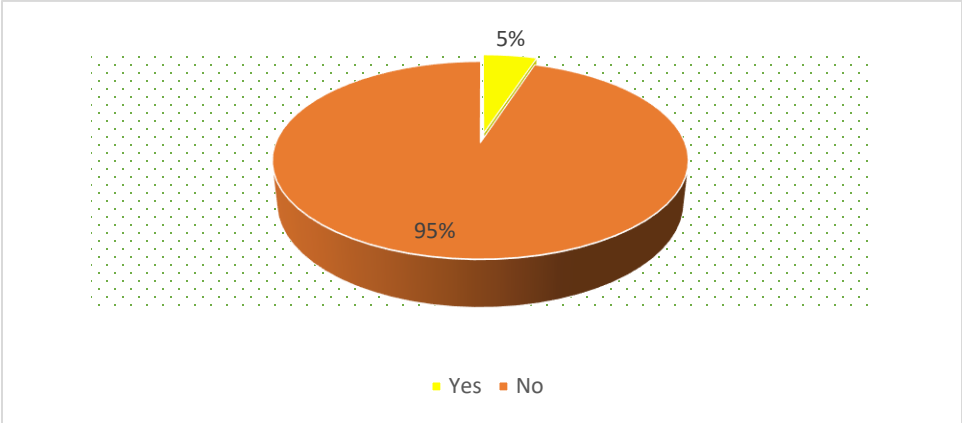
The proportion of employees in the informal sector who have access to social benefits through institutionalized social security schemes are insignificant. The Social Security and National Insurance Trust (SSNIT) has rolled out the Informal Sector Fund in 2010 to serve as a pension scheme for informal workers. However, the scheme became inactive after four (4) years. Nonetheless, the Pensions Act 2008 (Act 766) established a 3-tier pension scheme which comprised of 3 levels: Tier 1 is a mandatory basic national social security scheme; Tier 2 is a mandatory occupational pension scheme that is funded and managed privately; Tier 3 is a voluntary provident fund and personal pension scheme that is funded and managed privately. The Act clearly states in Sections 3 (1) and (2) that:

1. *An employer of an establishment shall deduct from the salary of every worker in the establishment immediately at the end of the month a worker's contribution of an amount equal to five and half per centum of the worker's salary for the period, irrespective of whether or not the salary is actually paid to the worker.*
2. *An employer of an establishment shall pay for each month in respect of each worker, an employer's contribution of an amount equal to thirteen per centum of the worker's salary during the month.*

In addition, Ghana operates a National Health Insurance Scheme (NHIS) which is based on premium subscription. Formal employees of institutions who are members of SSNIT are covered. However, informal sector workers are required to pay direct premium which ranges between GH¢7.20 to GH¢48 (\$1.29 - \$8.57) annually.

An analysis of the proportion of enterprises who pay social security for their employees revealed that only 5 percent contribute to the scheme (see Figure 3.6). This shows that most informal workers lack social security and become increasingly vulnerable at old age.

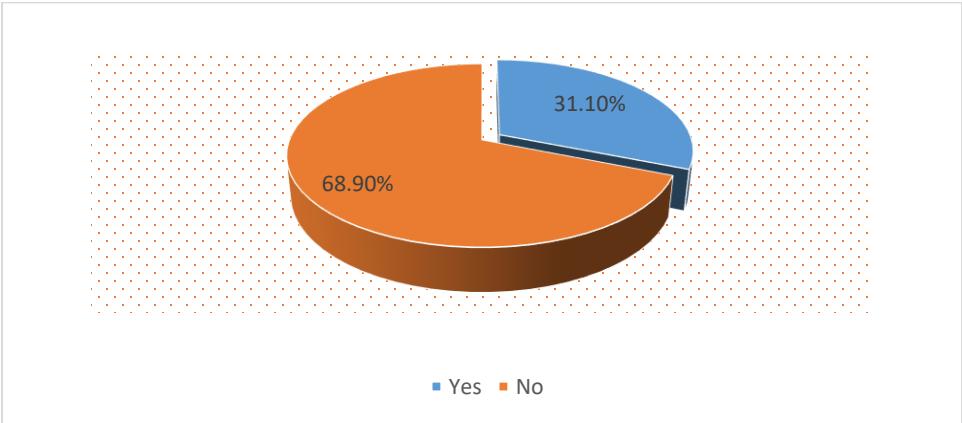
**Figure 3.6: Pension Scheme Contribution**



Source: Author’s Computation from Field Data

The survey further sought to understand whether the enterprises who were not contributing to any pension scheme were aware of the 3-Tier pension scheme. The results obtained indicate that only 31.1 percent of them were aware of the existence of the 3-Tier pension scheme. This explains why many of these enterprises have not subscribed to any pension scheme.

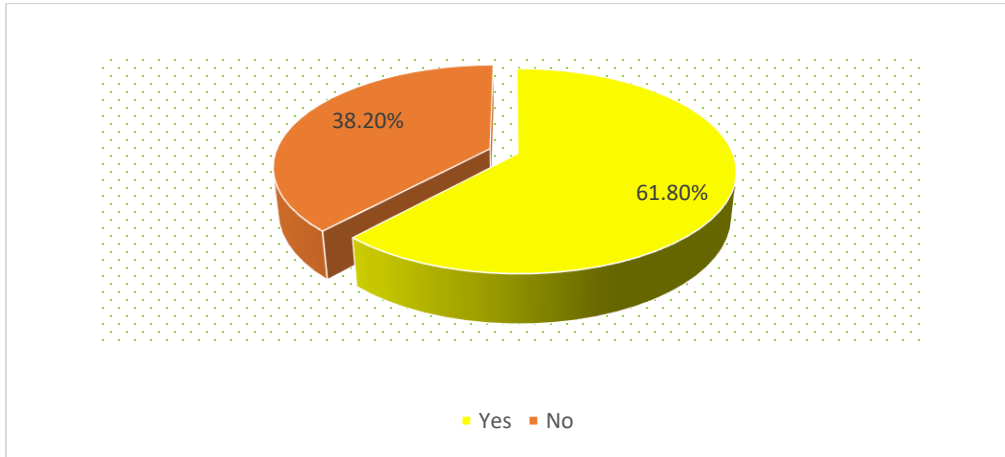
**Figure 3.7: Awareness of 3-Tier Pension Scheme**



Source: Author’s Computation from Field Data

Based on this, 61.8 percent of the enterprises surveyed acknowledged the need for operators in the informal economy to be sensitized on pensions.

**Figure 3.8: Need for Education on Pension Scheme**



**Source: Author's Computation from Field Data**

As to why they need sensitization on pensions, one respondent opined that:

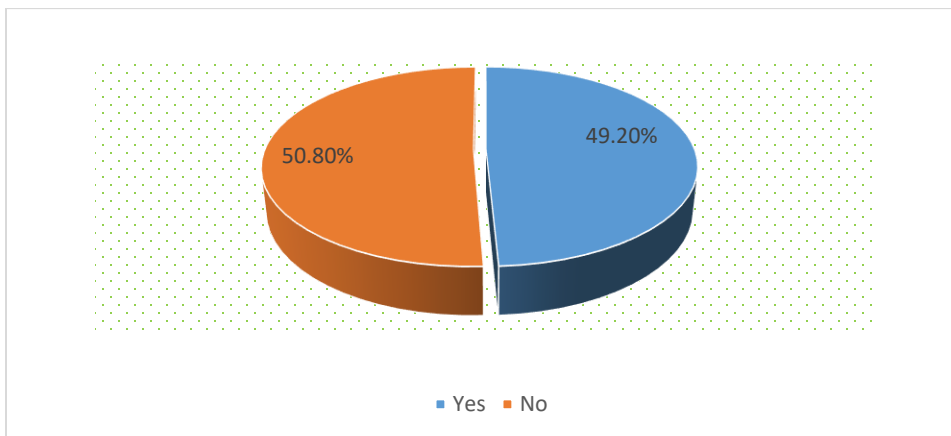
*“education on pensions will safeguard us from unforeseen circumstances in the future”*

Another respondent noted that:

*“it is important for us to understand the various pension schemes available and the ones we can subscribe to”.*

With regards to subscription to NHIS, only 49.2 percent of enterprises pay the annual subscription for their employees.

**Figure 3.9: Enterprise Subscription to NHIS**



**Source: Author's Computation from Field Data**

### 3.4 Hours of Work

According to Ghana’s labour law, Act 651 (2003), Sections 33 and 34 provides the maximum working hours of 40 per week or 8 hours per day. The Act states that any extra hours worked must be considered overtime and must be paid for. The results obtained revealed that the average number of hours worked is 10.9 hours with a maximum of 18 hours. It is important to note that these employees were not paid for extra hours worked. This statistic clearly contravenes Act 651. Furthermore, the average number of days worked was found to be 6 days, albeit some enterprises work for 7 days. The Labour Law is silent on the operation of informal enterprises. The lack of knowledge and enforcement of these laws has promoted precarious employment in Ghana.

**Table 3.1: Number of Hours and Days of Work**

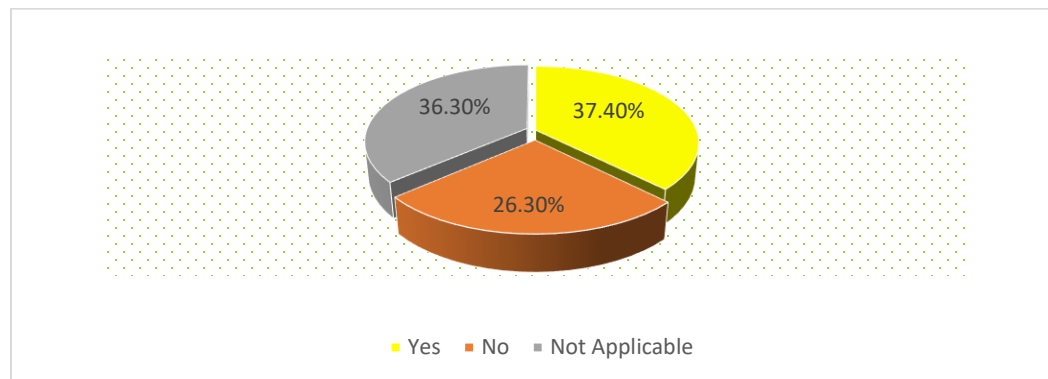
Hour/Days	Average	Min	Max
Daily work hours	10.9	3	18
Days worked	6	5	7

Source: Author’s Computation from Field Data

### 3.5 Maternity Leave, Sick Leave and Public Holidays

The labour laws of Ghana require employers to provide some basic statutory benefits to their workers. These comprise of social security, paid maternity leave, paid sick leave, severance pay and holidays. Most of these benefits are waved off by employers interviewed. Our analysis indicate that 37.4 percent of enterprises surveyed encourage their female employees to go on maternity leave. Also, 36.3 percent of enterprises reported that maternity leave was not applicable to them, mainly because they are male-dominated occupations.

**Figure 3.10: Maternity Leave**



Source: Author’s Computation from Field Data

These enterprises who support maternity leave for their female employees provide an average of 132 days. (see Table 3.2). This statistic exceeds the legally mandated number of days of maternity leave for female employees. It is important to note that the lack of knowledge on the labour laws accounts for this anomaly.

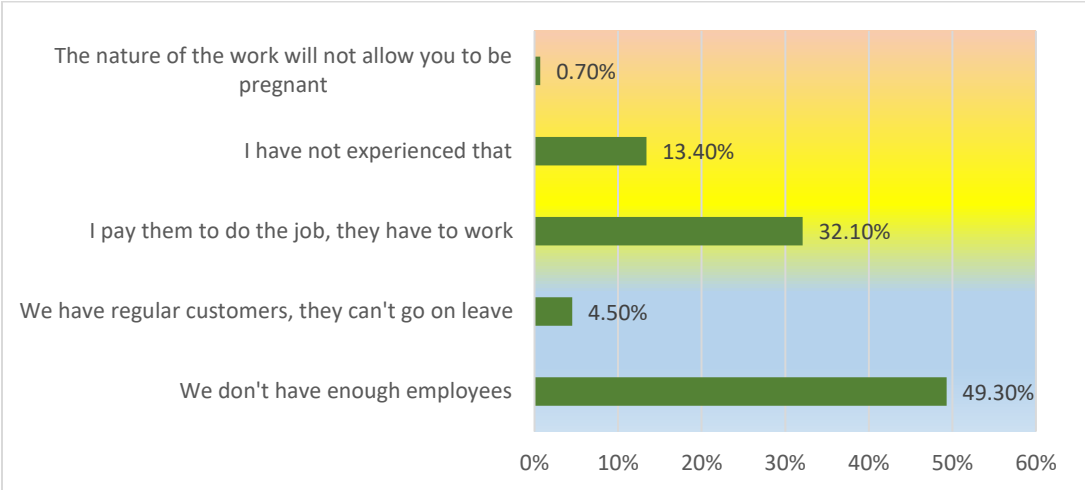
**Table 3.2: Maternity Leave Days**

Average	Min	Max
131.8	131.8	365

Source: Author’s Computation from Field Data

However, the enterprises who discouraged maternity leave have cited limited employees, the need to serve their regular customers as well as the nature of the work as their motivation. Specifically, 49.3 percent of these enterprises have reported that weak staff strength accounts for their failure to allow maternity leave (see Figure 3.11).

**Figure 3.11: Reason for Discouraging Maternity Leave**

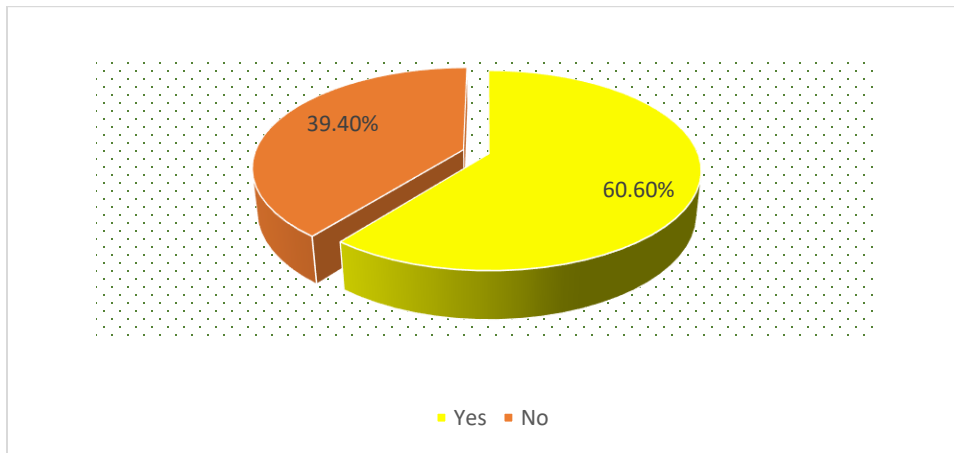


Source: Author’s Computation from Field Data

In addition, the survey enquired whether the enterprises who encouraged maternity leave for their employees pay them during the temporary lay-off. The results indicate that 60.6 percent of these enterprises who pay their female employees during that duration 39.4 percent do not.



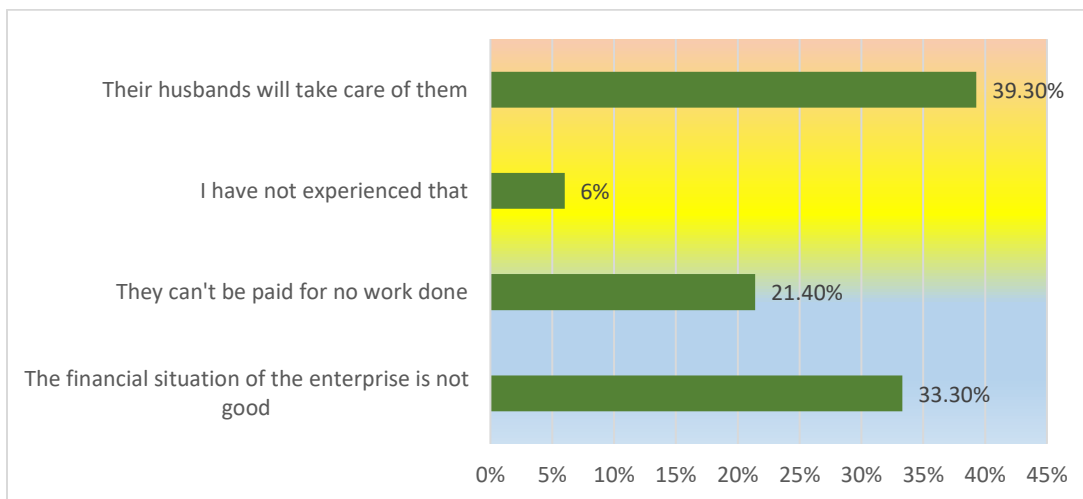
**Figure 3.12: Receipt of Wages on Maternity Leave**



**Source: Author's Computation from Field Data**

However, those enterprises who fail to pay female employees when they go on maternity leave have reported financial difficulties and the need for husbands to take care of their pregnant spouses as justifications. Specifically, 39.3 percent of enterprises who discouraged paid maternity leave argued that the spouse of their pregnant employees have to take full responsibility. Also, 21.4 percent of these enterprises maintained that employees who go for maternity leave cannot be paid for no work done. These justifications typically contravene the labour laws of Ghana.

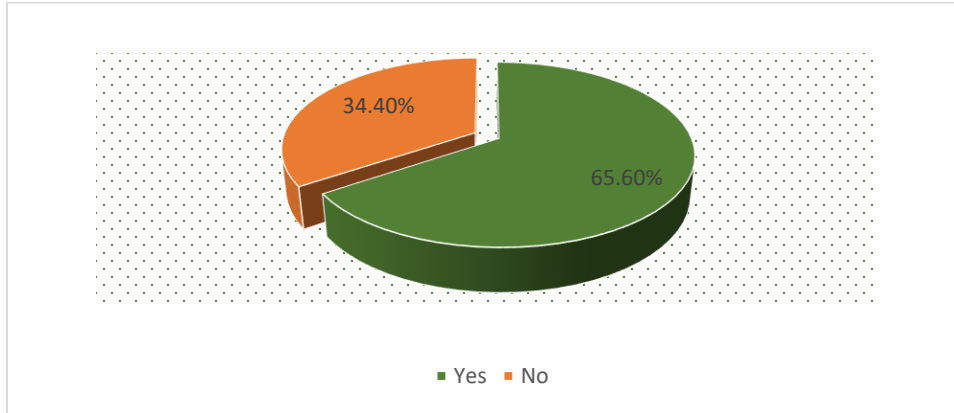
**Figure 3.13: Reason for Unpaid Maternity Leave**



**Source: Author's Computation from Field Data**

Furthermore, 65.6 percent of the enterprises surveyed allow their employees to go on public holidays.

**Figure 3.13: Enterprises Who Allow Public Holidays for Employees**



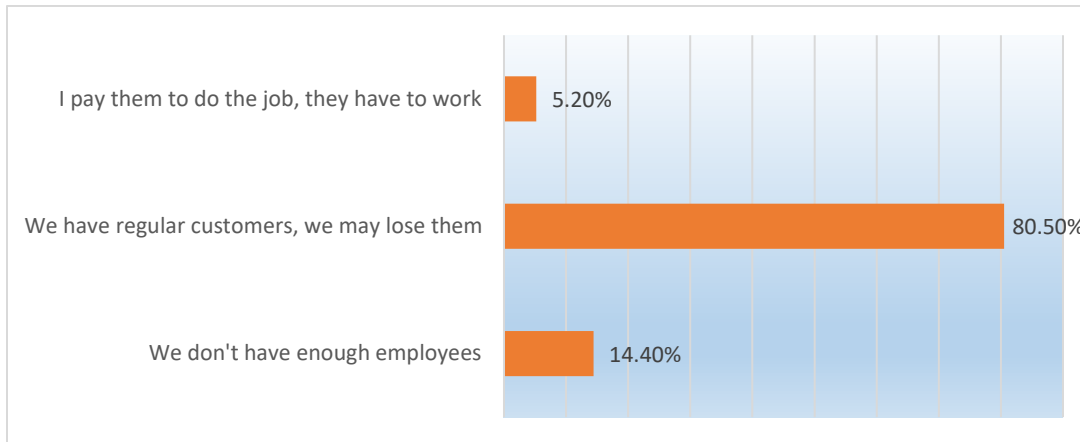
Source: Author's Computation from Field Data

The study found that 80.5 of enterprises who refused public holidays have cited the need to serve their regular customers as justification. For instance, one respondent opined that:

*"Holidays are days when we get a lot of customers for our services. We have to take advantage of the high demand during those special days".*

Other enterprises have justified their actions by referring to the limited staff strength and the need for employees to work because they are paid, as reasons for refusing public holidays.

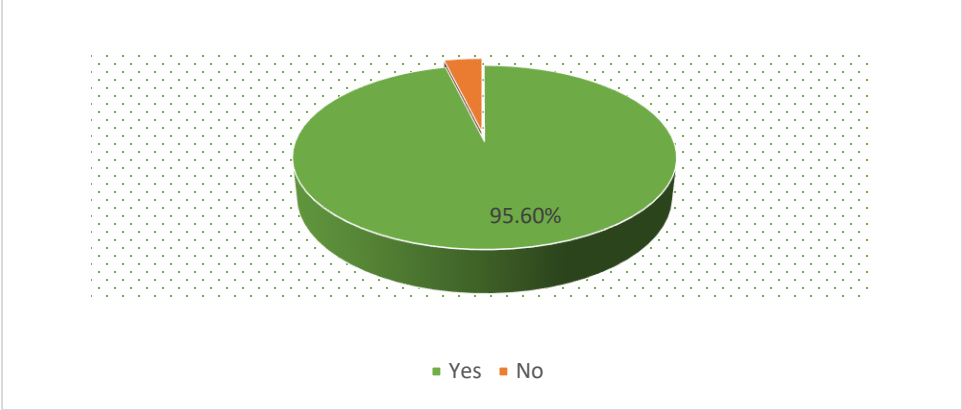
**Figure 3.14: Reasons for Refusing Public Holidays**



Source: Author's Computation from Field Data

However, majority of the enterprises surveyed (i.e. 95.6%) allow their employees to go on sick leave to recuperate. It is important to note that productivity of employees is likely to be low when sick. This explains why many of these informal enterprises encourage sick leave.

**Figure 3.14: Enterprises who Allow Sick Leave**



Source: Author’s Computation from Field Data

## CHAPTER FOUR

### COVID-19 AND ENTERPRISE PERFORMANCE

#### 4.0 Introduction

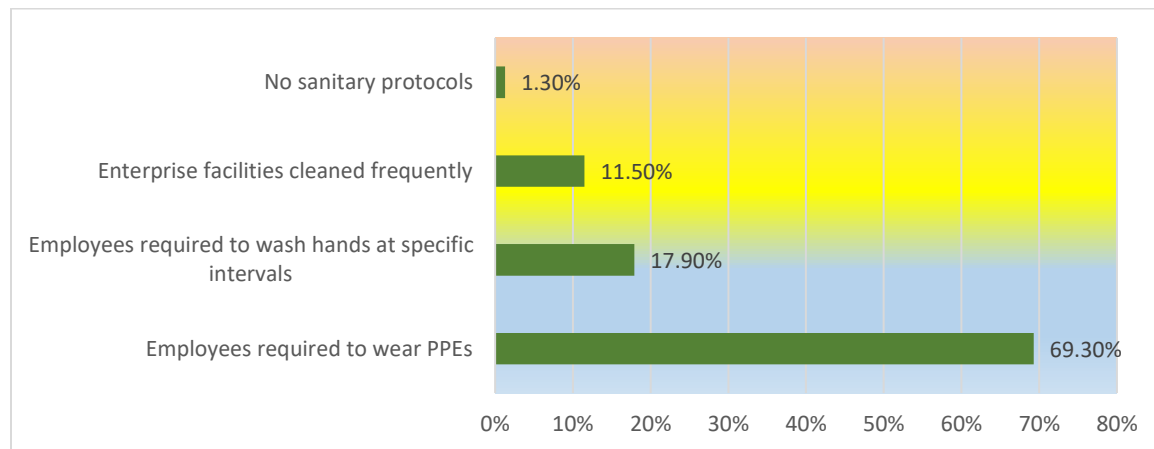
This chapter discusses the impact of COVID-19 on enterprise performance. It details the precautionary measures operators in the informal economy have put in place to halt the spread of the pandemic. Also, the chapter highlights some of the critical challenges enterprises would encounter when trying to return to normal operations once the COVID-19 pandemic subsides.

#### 4.1 COVID-19 Precautionary Measures and Market Dynamics

Since the outbreak of the COVID-19 pandemic in Ghana on March 15, 2020, the government has embarked on several precautionary measures to contain the spread of the pandemic. These measures comprised of a partial lockdown, border closures, stay-at-home advisories and mandatory usage of PPEs amongst others. These measures have disrupted transport and communication services as well as organizational structure to maintain recommended social distance protocols issued by government.

An assessment of the sanitary protocols taken by informal operators to prevent the spread of COVID-19 show that 69.3 percent of enterprises surveyed ensured that their employees engaging in an in-person activity effectively wore PPEs such as face masks and gloves. Moreover, 17.9 percent of the enterprises ensured that suppliers and employees engaging in an in-person activity were required to wash their hands at specific intervals. It is however regrettable to note that 1.3 percent of the enterprises surveyed were operating with no sanitary protocols.

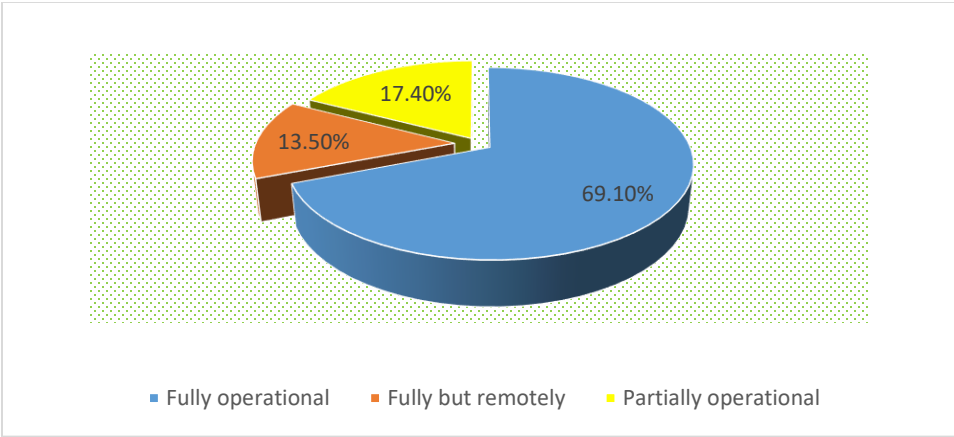
**Figure 4.1: COVID-19 Precautionary Measures**



Source: Author's Computation from Field Data

As indicated earlier, the emergence of COVID-19 had altered the operational arrangements of firms. The results gathered indicate that 69.1 percent of the enterprises surveyed were fully operating while 13.5 percent were operating fully but remotely. 17.4 percent of the enterprises were operating partially. These enterprises have reduced the number of hours as well as the number of days operated.

**Figure 4.2: Operational Status of Enterprises**



**Source: Author’s Computation from Field Data**

These organizational alterations have affected market dynamics, in terms of demand and pricing of goods and services. The results indicate that 88.5 percent of enterprises surveyed have experienced a decline in their goods and services. This can be explained by low income levels due the initial partial lockdown imposed by government as well as social distancing protocols issued. However, only 4 percent of enterprises have recorded high demand for their goods and services. These enterprises were mainly hair dressers and electronics servicing technicians.

**Figure 4.3: Demand and Price Dynamics**



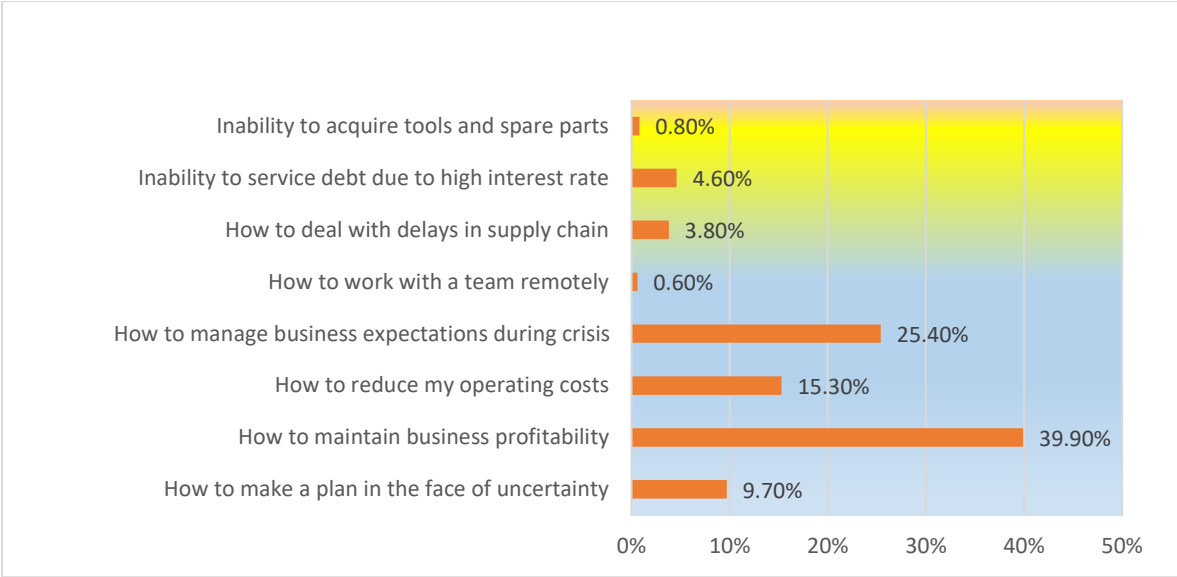
**Source: Author's Computation from Field Data**

Furthermore, the low demand for goods and services have necessitated a drastic fall in prices as reported by 38.7 percent of enterprises surveyed. However, 30.2 percent of enterprises have increased the prices for their produce. This strategy could have been influenced by the need to maintain business profitability.

#### **4.2 Challenges Encountered by Enterprises**

The persistence of the COVID-19 pandemic continues to pose thoughtful challenges to businesses, particularly operators in the informal economy. With no sight to the end of the pandemic, several businesses are burdened with mechanisms to ensure business competitiveness and sustainability. The results obtained indicate that 39.9 percent of enterprises are worried about ways to maintain business profitability. Moreover, 25.4 percent of enterprises are concerned about how to manage business expectations during the COVID-19 crisis. The operating costs of businesses have increased following the need to purchase PPEs and other equipment to halt the spread of the pandemic. Thus, 15.3 percent of enterprises reported that they were concerned about ways to reduce their operating costs.

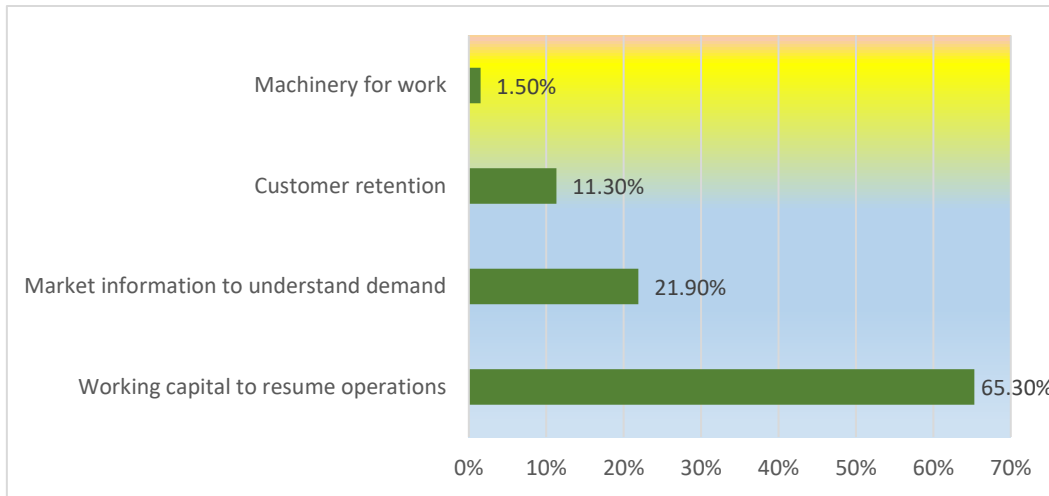
**Figure 4.4: Challenges Faced by Enterprises Today**



**Source: Author’s Computation from Field Data**

The study further evaluated the most critical challenges enterprises will face when trying to return to normal operations once the COVID-19 pandemic subsides. Planning for the future require certain factors to be considered to eschew unforeseen eventualities. The study found that 65.3 percent would be constrained by working capital to resume operations. Many businesses have consumed their working capital during the lockdown. These enterprises would therefore require funding to resume normal operations. Moreover, 21.9 percent of enterprises reported that the acquisition of market information to understand demand would be a challenge to them. Other enterprises cited customer retention and the acquisition of machinery for work as critical challenges they would face when returning to normal operations (see Figure 4.5).

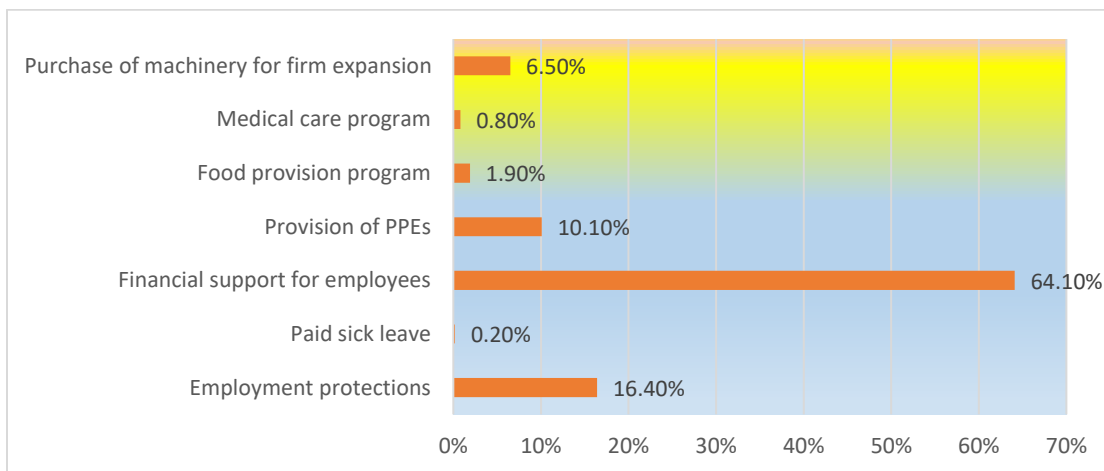
**Figure 4.5: Critical Challenges to Returning to Normal Operations**



Source: Author's Computation from Field Data

The study further assessed the existence of enterprise programs and initiatives which were abandoned due to the COVID-19 pandemic. It was found that 64.1 percent of enterprises wanted to provide financial support for their employees but were halted. Deplorable financial condition of firms prevented them from supporting their employees financially, particularly during the partial lockdown. Besides, 16.4 percent of enterprises wanted to ensure employment protection for their employees through salary guarantees and job security but were halted (see Figure 4.6). This phenomenon resulted in layoffs and pay-cuts suffered by employees of these enterprises.

**Figure 4.6: Programs Halted due to COVID-19**



Source: Author's Computation from Field Data

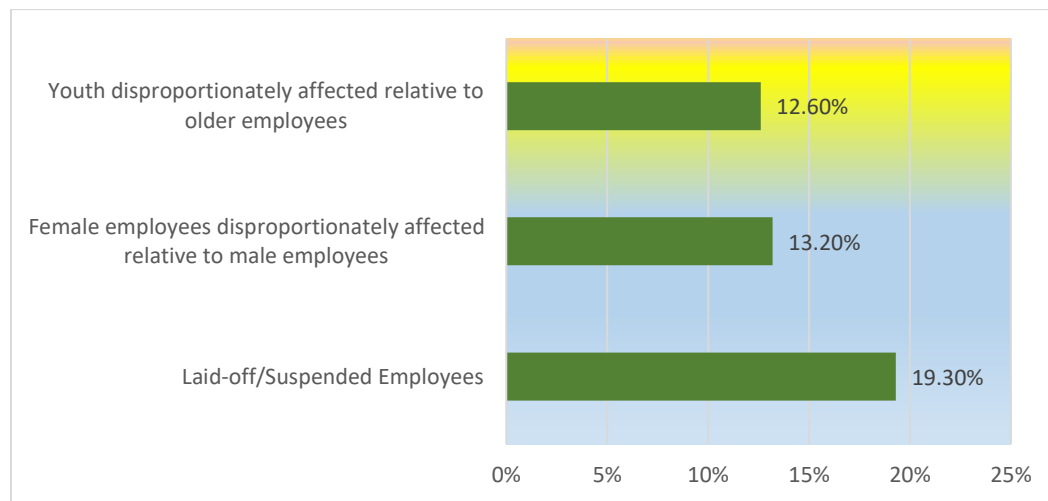


### 4.3 Impact of COVID-19 on Business Segments

As noted earlier, the COVID-19 pandemic has had varying degrees of impact on business enterprises. The associated low demand for enterprise produce and the institution of social distancing protocols have forced employers to take certain drastic decisions to ensure business survival. Some of these drastic decisions consist of employee lay-offs, salary cuts, decreased bonuses and terminated income generation activities amongst others. Moreover, these stringent decisions taken against employees have disproportionately affected females and young people alike. It is important to note that females and the youth are the most vulnerable when such tough decisions have to be implemented.

The results gathered revealed that 19.3 percent of enterprises have either laid-off or suspended their employees due to the COVID-19 pandemic. Moreover, 13.2 percent of enterprises have reported that female employees were disproportionately affected relative to male employees. Also, 12.6 percent of enterprises noted that lay-offs/suspensions affected the youth (35 years and younger) relative to older employees. This phenomenon calls for social safety nets for females and youth to guard against unfair treatments by employers.

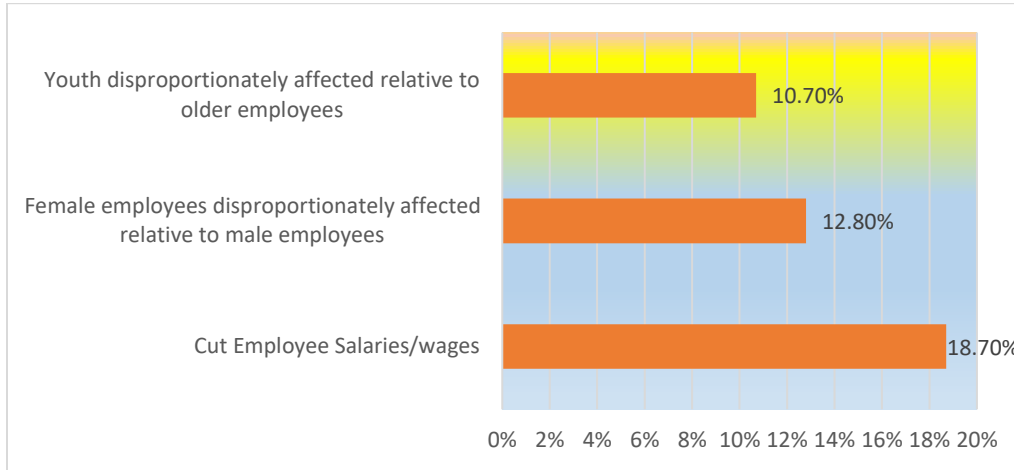
**Figure 4.7: Lay-offs and Suspensions**



Source: Author's Computation from Field Data

In addition, 18.7 percent of enterprises have reduced the salaries and wages of their employees to manage their operational costs and ensure business profitability. It was also gathered that 12.8 percent of enterprises who had reduced salaries have taken this decision which disproportionately affected females relative to male employees. Moreover, 10.7 percent of these enterprises reported that salary cuts disproportionately affected the youth relative to older employees. These unfair labour treatments degenerated from traditional antecedents which allows older people and men to be treated wholesomely.

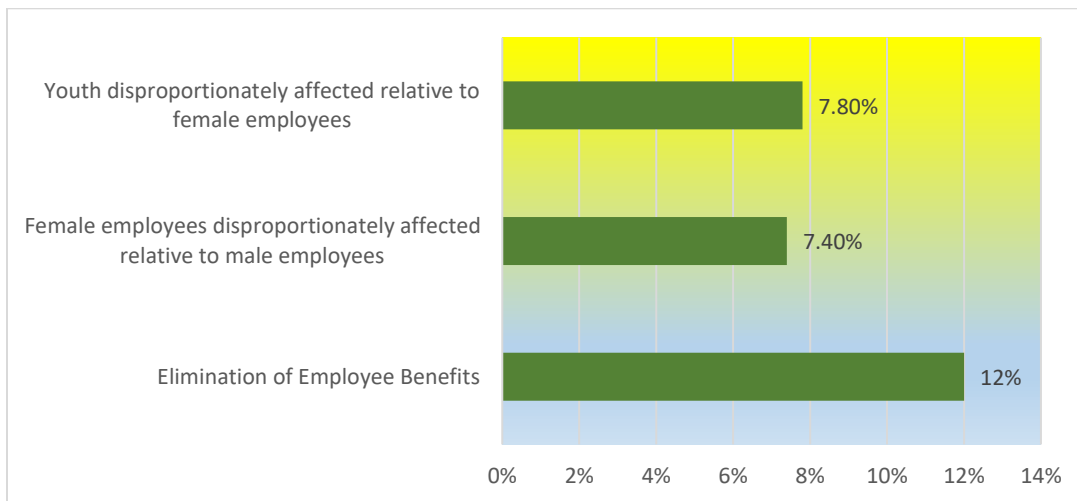
**Figure 4.8: Salary Cuts of Employees**



**Source: Author's Computation from Field Data**

Similar to salary cuts, some enterprises have eliminated employee bonuses due to the COVID-19 pandemic. The results obtained show that 12 percent of enterprises have eliminated employee bonuses. This strategic change was found to affect females disproportionately to males, as reported by 7.4 percent of these enterprises. Also, 7.8 percent of the enterprises who eliminated employee bonuses mentioned that this change affected the youth disproportionately relative to older employees.

**Figure 4.9: Elimination of Employee Benefits**

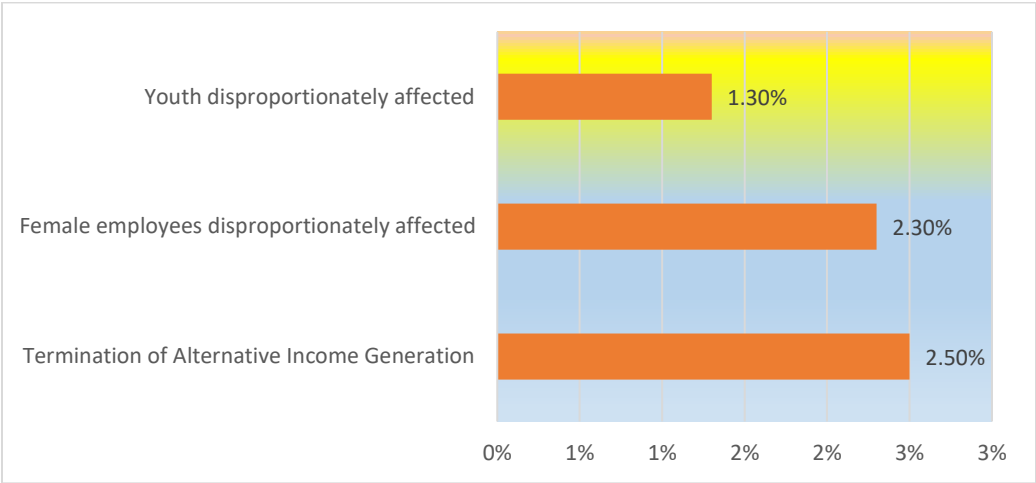


**Source: Author's Computation from Field Data**

Furthermore, few enterprises reported that they had terminated alternative income generation activities due to the onset of the COVID-19 pandemic. It is important to note that

many operators in the informal economy engage in moonlighting or “side jobs” besides their main economic activity. It is not uncommon to find a dressmaker who sells wax prints in front of their shops. The study found 2.5% of enterprises surveyed to have terminated alternative income generation activities. More so, 2.3 percent of enterprises who terminated alternative income generation jobs have reported that this change affected female employees disproportionately to male employees.

**Figure 4.10: Termination of Alternative Income Generation**



Source: Author’s Computation from Field Data

## CHAPTER FIVE

### GOVERNMENT SERVICES AND INCENTIVES FOR FORMALIZATION

#### 5.0 Introduction

This chapter discusses government and financial services as well as the incentives required to facility a speedy transition from informality to formality. The chapter also provides an econometric analysis of the factors that affect the decision to formalize.

#### 5.1 Government and Financial Services

Following ILO Recommendation 204<sup>9</sup>, the Government of Ghana continue to play a pioneering role to formalize the informal economy. Key financial interventions have been embarked upon that captures operators in the informal economy into government books. These initiatives are in line with the roadmap developed by government in 2016 to transition from informality to formality<sup>10</sup>. Some of these strategies termed as “capital interventions to formalization” are discussed Section 5.4 of this chapter. It is important to note that the fundamental objective of these interventions by government is to widen the tax net and capture informal operators to regularize tax payment. These interventions consist of the introduction of the tax identification number (TIN), National Addressing System (Ghana Post GPS) and the Mobile Money Interoperability (MMI) system.

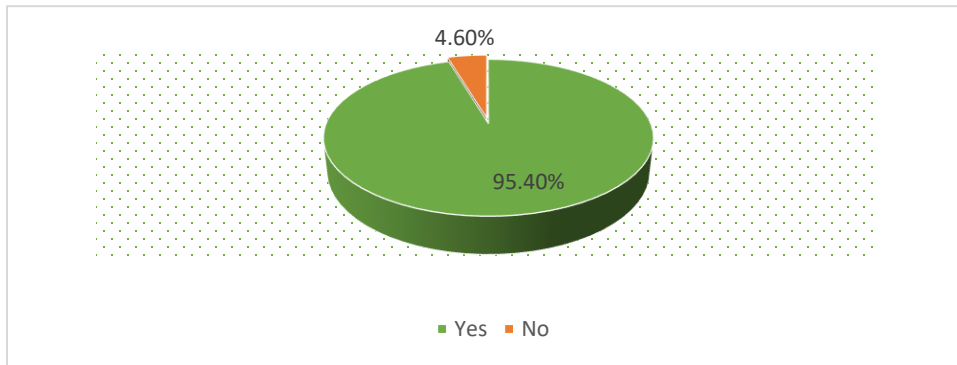
The TIN is a unique identification number issued to tax payers and potential taxpayers for official transactions. It is costless to acquire a TIN in Ghana, albeit an offence not to have a TIN as a taxpayer. The TIN is required to register businesses, open an account, get passport and register a land as well as clearing goods from the port or airport. Our results indicate that 95.4 percent of enterprises surveyed have the TIN (see Figure 5.1).

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<sup>9</sup> ILO Recommendation 204 concerns the transition from the informal to the formal economy. The recommendation was adopted by the Conference at its 104<sup>th</sup> session in Geneva, on 12<sup>th</sup> June, 2015.

<sup>10</sup> Expanding Decent Work Opportunities in the Informal Economy through Transition to Formality in Ghana ((ILO; NDPC; GRA & Ministry of Employment, 2016).

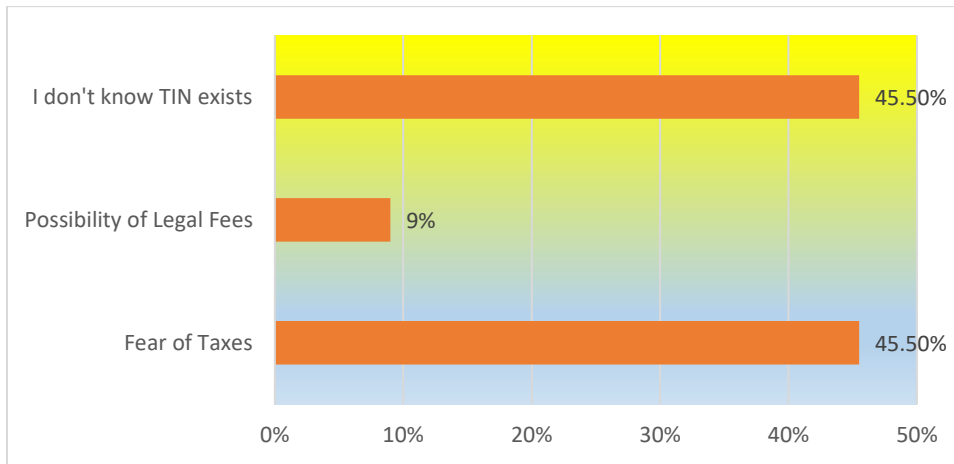
**Figure 5.1: Enterprises Who Have Tax Identification Number**



Source: Author's Computation from Field Data

However, 45.5 percent of the enterprises who failed to obtain the TIN cited fear of taxes as the main reason. A similar proportion (45.5%) do not even have knowledge of the existence of the TIN. This result provide evidence to suggest that intensive education and sensitization is required to provide more insight on government services.

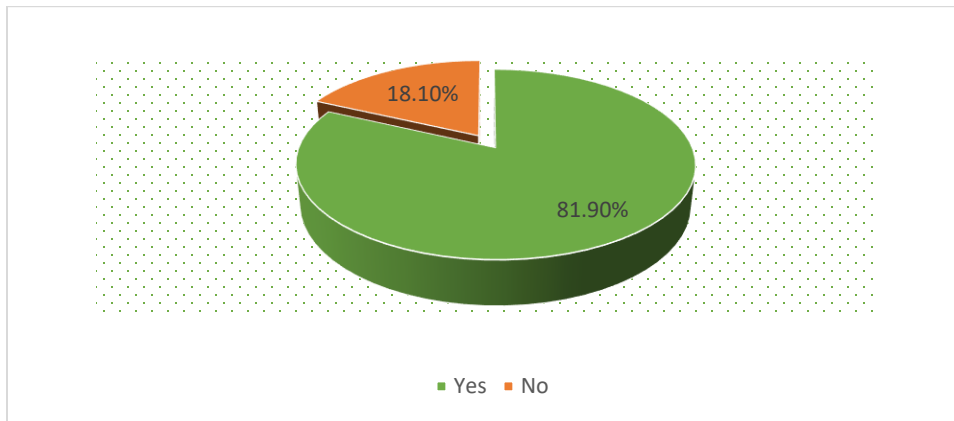
**Figure 5.2: Reason for Inability to Obtain TIN**



Source: Author's Computation from Field Data

Furthermore, the National Addressing System, alternatively referred to as the GhanaPostGPS is an official digital addressing system which covers the entire country and ensures that every location is addressed. The GhanaPostGPS is required to open a bank account and ensures that small businesses access loans from financial institutions. With this system, the location of informal enterprises nationwide is known. The results from our survey indicate that 81.9 percent of enterprises use the addressing system.

**Figure 5.3: Enterprises Who Have National Addressing System**

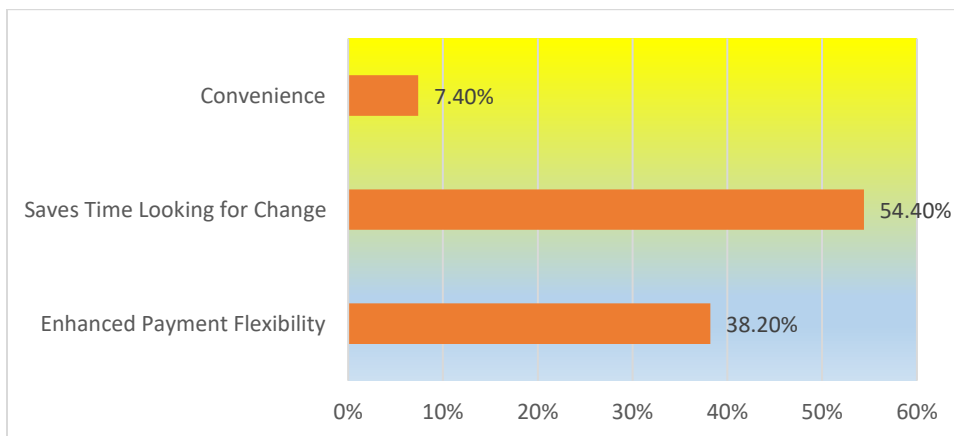


**Source: Author’s Computation from Field Data**

The Mobile Money Interoperability (MMI) is a service that allows direct and seamless transfer of funds from one mobile wallet to another across networks. It is important to note that Ghana currently has four (4) telecommunication networks (MTN, Vodafone, AirtelTigo and Glo) who offer mobile money services. This service ensures that customers of enterprises pay for goods and services without using physical cash. The results from our survey show that all enterprises have mobile money numbers for receiving and making payments.

The enterprises also shared their views on the impact mobile money has had on their businesses. It was gathered that, apart from the convenience and payment flexibility associated with the use of mobile money, 54.4 percent of enterprises reported that, the service saved precious time looking for change for their clients. Due to several higher monetary denominations, enterprises may have to go around looking for change when goods and services were sold. However, the exact payment is made with the use of mobile money.

**Figure 5.4: Impact of Mobile Money on Businesses**

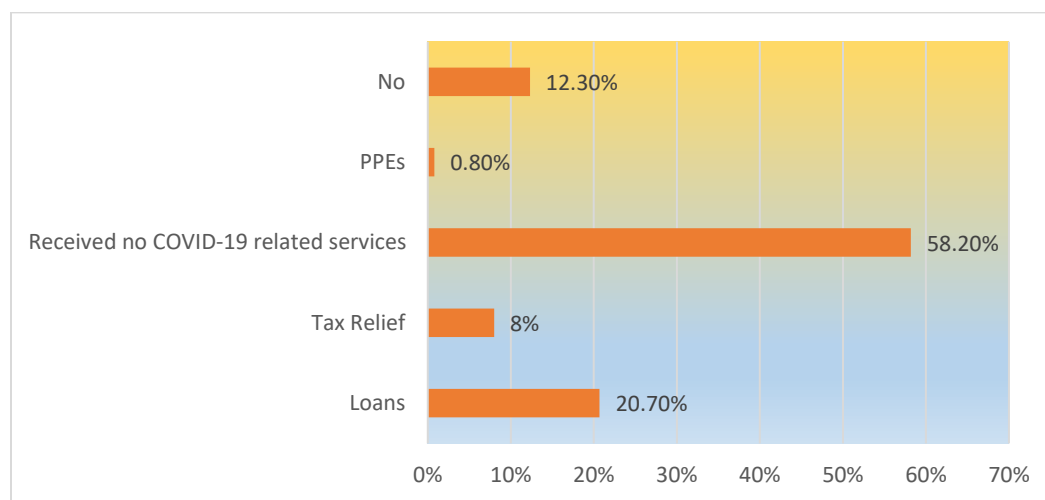


**Source: Author’s Computation from Field Data**

## 5.2 COVID-19 Related Support Services

The Government of Ghana have undertaken several initiatives to alleviate the social and economic impact COVID-19 has had on households and businesses. As noted earlier, the government instituted the Coronavirus Alleviation Program (CAP) to support health workers, rebates in electricity tariffs, absorption of water bills and the extension of GH¢600 million to small businesses. This study therefore sought to understand whether operators in the informal economy had taken advantage of these services. The results obtained indicate that 58.2 percent of the enterprises have not received any COVID-19 related support while 12.3 percent have not taken advantage of these services at all. Moreover, 20.7 percent and 8 percent of the enterprises applied for loans and tax relief respectively.

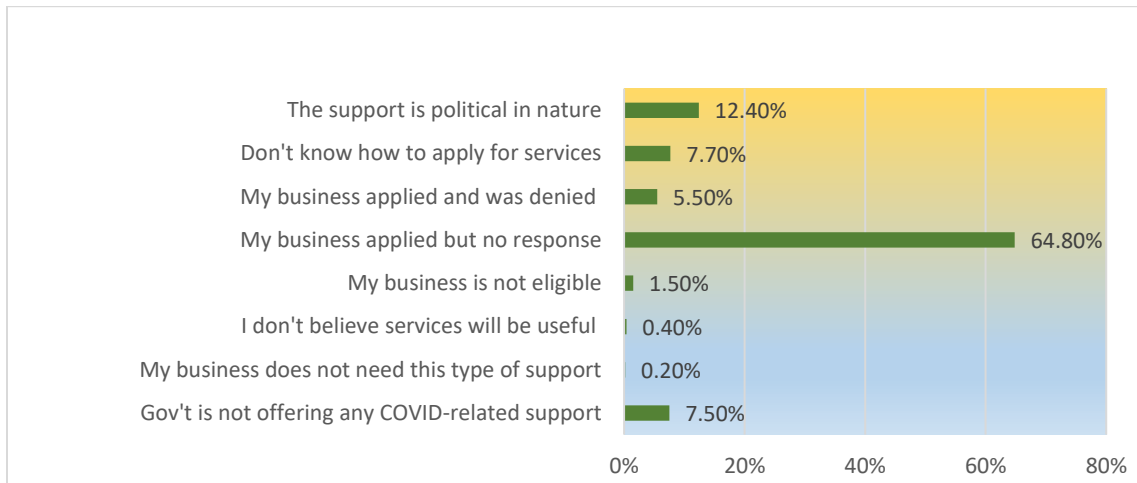
**Figure 5.5: COVID-19 Related Support Services for Enterprises**



Source: Author's Computation from Field Data

Probing further to understand the reasons why enterprises in the informal economy have not received any COVID-19 related support services, majority of them (64.8%) reported that they applied for these services but received no response. Also, 12.4 percent of them observed that the services provided by government were political in nature. Ghana is preparing for her presidential and parliamentary elections in few months and some believed that these services were designed to purchase votes. It was also gathered that some enterprises do not know how to apply for these services (see Figure 5.6).

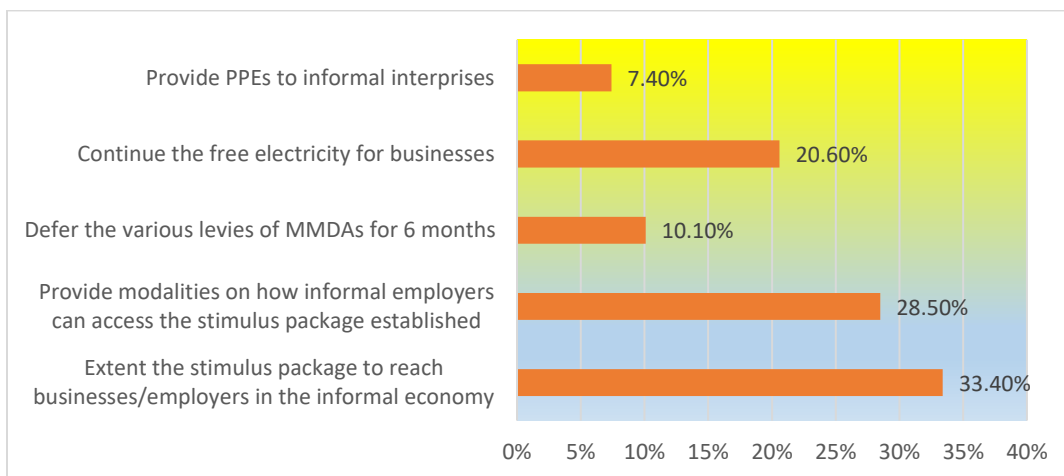
**Figure 5.4: Reason for not Receiving COVID-Related Services**



**Source: Author's Computation from Field Data**

Putting the issues surrounding the initial COVID-19 related support services provided by government in perspective, the study asked the enterprises to suggest the policy response strategies government should implement to cushion them in this COVID-19 era. This enquiry is in line with the immediate responses to COVID-19 published by the ILO in May 2020<sup>11</sup>. Our results show that 33.4 percent of enterprises wanted the extension of stimulus packages to reach operators in the informal sector. The introductory chapter of this study noted that the COVID-related services provided by government were largely enjoyed by operators in the formal economy.

**Figure 5.7: Policy Response Strategies to Cushion Enterprises**



**Source: Author's Computation from Field Data**

<sup>11</sup> ILO brief (May, 2020). COVID-19 crisis and the informal economy; immediate responses and policy challenges



Additionally, 28.5 percent of enterprises wanted government to provide modalities on how informal enterprises can access the stimulus package established. Some businesses wanted a deferment of levies by Metropolitan, Municipal and District Assemblies (MMDAs) for 6 months. It was established earlier in this study that many enterprises were dissatisfied with the numerous levies and challenges paid. Moreover, 20.6 percent of enterprises surveyed wanted government to continue providing free electricity for businesses in this COVID era.

### **5.3 Incentives for Speedy Transition to Formality**

Efforts to formalize the informal economy require certain strategic measures to be undertaken to facilitate speedy transition. As noted earlier, the informal economy in Ghana employ about 80% of people and provide livelihoods to majority of the population. The literature on formalizing the informal economy has identified direct and indirect management controls to enhance transition. The direct management controls are essentially strategies employed to change the behavior of individuals and organizations to conform to standardized processes. However, the indirect management controls rely on cultural and personnel means to achieve similar results. These measures consist of the provision of a conducive environment such as good governance and macroeconomic stability to motivate individuals and institutions to comply with standardized processes (Simons, 2000<sup>12</sup>; Malhotra, 2001<sup>13</sup>).

Nonetheless, direct management controls are targeted in nature and focus explicitly in achieving a desired objective. Merchant & Van der Stede (2003)<sup>14</sup> noted that the direct management controls consist of deterrent measures and incentive measures. The deterrent measures are designed to detect and penalize non-compliant behavior. Essentially, this approach uses the 'sticks approach' to ensure compliance to standardized processes. However, the incentives approach (carrots approach) employs inducing measures to encourage and reward compliant behavior. These incentives typically discourage enterprises from operating in the informal economy. The nature and size of Ghana's informal economy makes it difficult to employ strictly deterrent measures to achieve formality. This study therefore evaluates the incentives approach in facilitating speedy transition to formality.

An analysis is provided on the incentives to induce, encourage and reward increased voluntary business registration and licensing in Ghana. The results obtained show that 37.6 percent of enterprises would want government to reduce the time and cost in doing business in Ghana. Moreover, 28.8 percent of them wanted tax holidays for newly registered small

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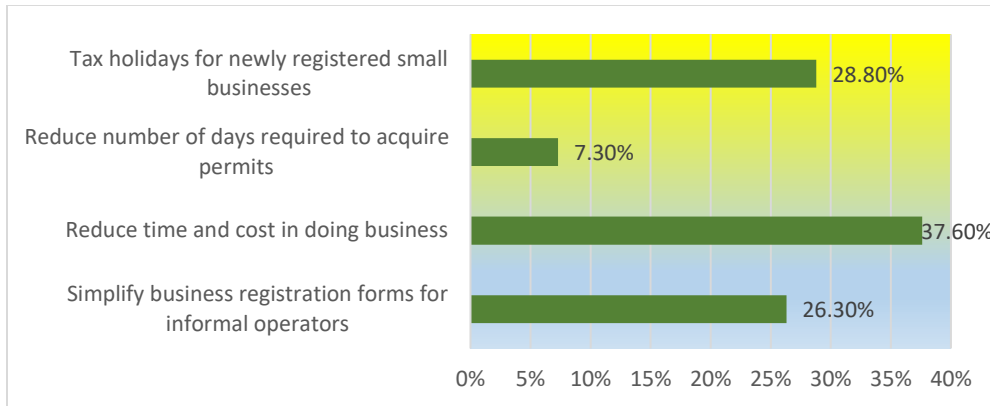
<sup>12</sup> Simons, R. L. (2000). Performance measurement and control systems for implementing strategy. Upper Saddle River: Pearson.

<sup>13</sup> Malhotra, Y. (2001). Knowledge Management and Business Model Innovation. Hershey, PA: Idea Group Publishing, 326-336, 2001.

<sup>14</sup> Merchant, K. A. & Van der Stede, W. A. (2003). Management control systems: performance measurement, evaluation and incentives (2nd edn.). Harlow: Prentice Hall.

enterprises. Results gathered in the preceding chapters reported that many enterprises were adversely impacted by the payment of numerous fees and levies. These taxes have been found to lead to enterprise extinction within 5 years of operation (Abor & Biekpe, 2006)<sup>15</sup>.

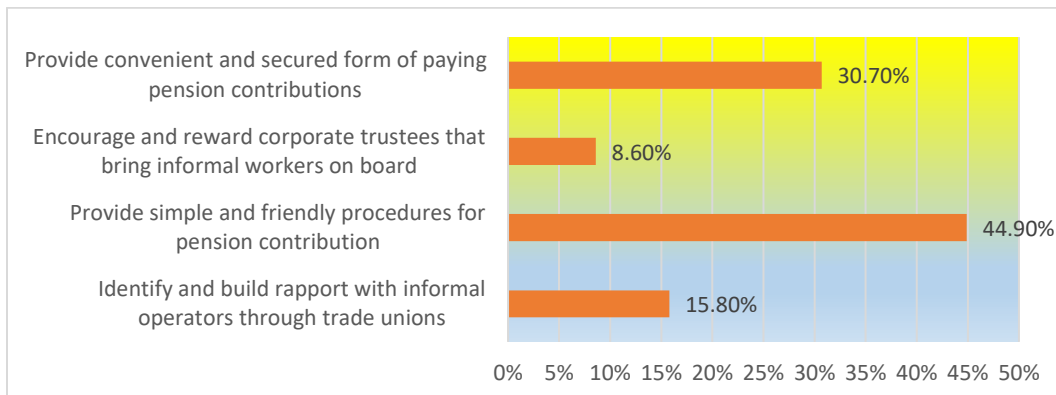
**Figure 5.8: Incentives to Encourage Voluntary Business Registration**



Source: Author's Computation from Field Data

The study further analyzed the incentives required to induce, boost and reward increased voluntary pension compliance by informal operators. The results show that 44.9 percent of enterprises wanted the provision of simple and friendly procedures for pension contribution. Moreover, 30.7 percent of enterprises opted for the provision of convenient and secured form of paying pensions (see Figure 5.9).

**Figure 5.9: Incentives to Encourage Voluntary Pension Contribution**



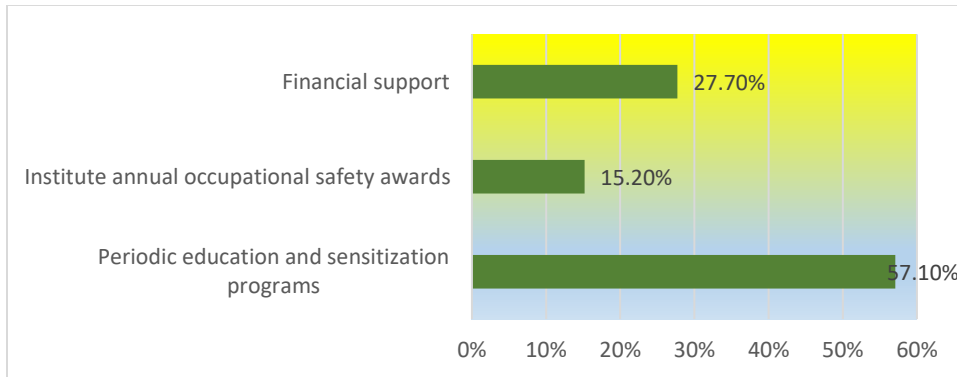
Source: Author's Computation from Field Data

The incentives required to induce and encourage compliance to occupational health and safety issues was also evaluated. Majority of enterprises (57.1%) wanted periodic education

<sup>15</sup> Abor, J. & Biekpe, N. (2006). Small Business Financing Initiatives in Ghana. *Problems and Perspectives in Management*, 4(3), pp. 69-77.

and sensitization programs on BOSH measures. Also, some enterprises seek financial support to encourage them while others saw the need for the institution of annual occupational safety awards to be helpful.

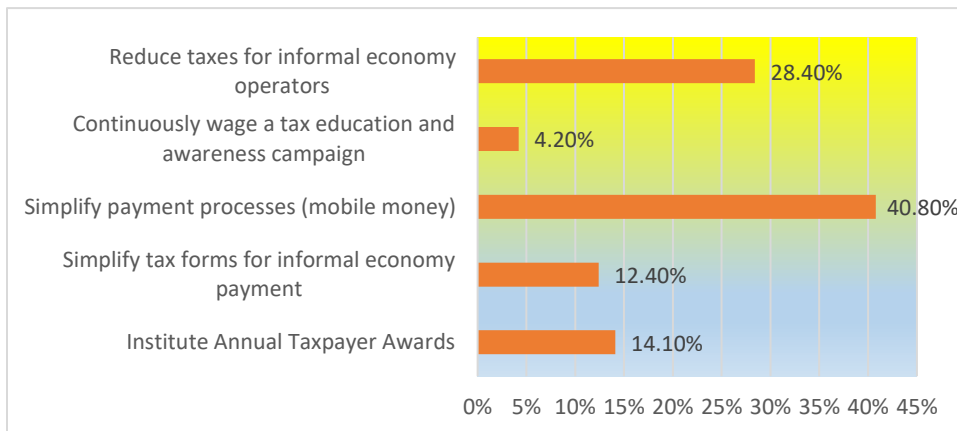
**Figure 5.10: Incentives to Encourage Compliance to BOSH Measures**



Source: Author's Computation from Field Data

Finally, the study assessed the incentives required to induce and boost tax compliance by informal operators. The results obtained indicate that 40.8 percent of enterprises would want government to simplify payment processes by introducing mobile money payment. Also, 28.4 percent of them wanted a significant reduction in the taxes for operators in the informal economy. Few enterprises called for the institution of annual taxpayer awards, tax education and simplified forms for payment of taxes (see Figure 5.11).

**Figure 5.11: Incentives to Induce and Boost Tax Compliance**



Source: Author's Computation from Field Data

#### 5.4 Decision to Formalize: Insights from a Binomial Logit Model

As noted earlier, transition from informality to formality is a gradual process which depends arbitrarily on certain factors. According to the literature, the journey to formalization is seen from two perspectives; labour view and capital view. The capital view of formalization stems from the notion that governments advantageously regulate in order to maximize revenue through taxation. However, the labour view of formalization rests on the precepts that employees need to benefit from the transition from informality to formality. This perspective underscores the significance of upholding the fundamental rights of employees and entrepreneurs.

Thus, the study sought to understand the decision of informal enterprises to formalize their operations using a binomial logit model. Essentially, the decision to formalize is influenced by a vector of firm-specific variables, labour formalization factors and capital formalization factors. The econometrics behind the binomial logit model is presented in Box 3 in Appendices.

The results obtained indicate that older firms are more likely to formalize than younger firms. As firms grow older, they learn and mobilize resources to standardize their operations. Younger enterprises in the informal sector may struggle to gain grounds at the initial stages of their operation. The squared term of firm age is significant. This means that there exist no diminishing returns to formalization as firms grow older.

Moreover, the number of people employed by the firm has been found to be highly significant and positive. This finding provides evidence to suggest that as firms expand and employ more people, systemic forces would push them to formalize their operations. As these enterprises become bigger, state institutions, employees and other stakeholder would require that they regularize their operations by complying to labour laws, such as employment contracts, paid leave, paid maternity leave and severance pay etc. This transition is termed 'true formalization' and strongly features for the labour view of formalization (Unni, 2018)<sup>16</sup>.

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<sup>16</sup> Unni, J. (2018). Formalization of the informal economy: perspectives of capital and labour. *The Indian Journal of Labour Economics*. 1-18. <https://doi.org/10.1007/s41027-018-0121-8>

## Box 2: Results of Binomial Logit Model of Formalization

Variables	Decision to Formalize
Firm Age	0.9123* (0.046)
Firm Age Squared	1.0014 (0.0009)
Employment	1.2067*** (0.0690)
1. Family Business	0.6582 (0.6163)
2. Own Account	0.8031 (0.6363)
Gender	0.0053*** (0.0063)
1. Adult education	20.1052 (43.6407)
2. Primary education	27.0479 (38.6540)
3. JHS/Middle School	20.1581 (40.4162)
4. Secondary Education	19.3277 (38.6540)
5. Vocational/Technical	30.6298* (61.6738)
6. Tertiary Education	29.2265* (59.1398)
Tax Identification Number	20.3699*** (17.7584)
GhanaPostGPS	0.8409 (0.4097)
Constant	2.8313 (6.3245)
Observations	523

In addition, the type of business is insignificant in explaining transition to formality. However, male-headed enterprises are more likely to formalize than female-headed enterprises. This finding can be explained by cultural antecedents and gender stereotypes which tend to be unfavorable towards women. Women are traditionally viewed to play second-fiddle to men when it comes to business decision making (Apusigah, 2002). This requires a review for a gender balanced society in Ghana.

Furthermore, an interesting finding was gathered regarding educational attainment of the head of enterprises. With no formal education as the reference, the results obtained show that, the decision to formalize at lower levels of education is opaque. However, enterprises are more likely to formalize at higher educational levels (i.e. vocational/technical and tertiary education). Educational attainment is a proxy of the skill-set of workers. Thus, this finding provides valuable insights for policy makers in the move to facilitate speedy transition to formality.

The study further found that enterprises who have obtained the TIN are more likely to formalize than those who failed to acquire it. Enterprises with the TIN are recognized in government records and are required to pay taxes to the state. Unni (2018) however referred to this strategic move of government as normalization of businesses operations and not formalization.

## CHAPTER SIX

### CONCLUSION AND RECOMMENDATIONS

#### 6.0 Introduction

This final chapter of the study provides a brief summary of key findings, conclusions reached and recommendations for policy purposes.

#### 6.1 Summary of Key Findings

- The study found that 65.6% of the enterprises have registered their business at the Registrar General's Department.
- A total of nine (9) different levies and charges are paid by operators in the informal economy. It was found that 54.7% of enterprises have lamented the adverse effects these numerous taxes are having on their businesses.
- A total of 2,760 people was employed by 524 enterprises, putting the mean employment at 5 individuals. Paid employment constitutes the largest type of employment (need for percentage) with substantial presence of family members and apprentices.
- More than 70 percent of the employees in the informal economy are not unionized and are not covered by the Collective Agreement.
- The study found only 33.3% of enterprises to have an action plan for Basic Occupational Safety and Health (BOSH) measures, albeit 87.4% have unwittingly mainstreamed BOSH measures in their economic activities.
- It was found that 50.4% of enterprises had written contractual arrangements with their employees.
- The study found that only 5% of enterprises contribute to pension schemes for their employees.
- The average daily working hours was found to be 11 hours. Also, enterprises were found to operate for 6 days in a week on average.
- Only 37.4% of enterprises allow their female employees to go on maternity leave with most of them unpaid.

- The study found that 88.5% of enterprises experienced low demand for their produce/services due to the COVID-19 pandemic.
- Also, 38.7% of these enterprises were compelled to charge lower prices for their produce/service.
- How to maintain business profitability is the topmost challenge faced by enterprises in this COVID-19 era as reported by 39.9% of enterprises.
- About 65% of enterprises would require working capital to resume operations once the COVID-19 pandemic subsides.
- The study found that 19.3% of enterprises have either laid-off or suspended their workers due to COVID-19.
- About 13% of enterprises reported that this change disproportionately affected female employees relative to male employees.
- About 95% of enterprises surveyed had the Tax Identification Number (TIN). This high proportion was explained by the requirement of NBSSI to obtain stimulus packages for businesses.
- About 65% of enterprises applied for COVID-related support services from government (stimulus packages) but had no response, with some viewing it as a political strategy in an election year.
- The study found that 33.4% of enterprises would want government to extend stimulus package to reach operators in the informal economy as a policy response strategy to deal with the social and economic impact of COVID-19.
- As an incentive, 40.8% of enterprises wanted government to simplify payment processes by introducing mobile money to induce and boost tax compliance.
- Results obtained from a binomial logit model indicate that male-headed enterprises are more likely to formalize than female-headed enterprises. Also, formalization is more realistic at higher educational levels than lower educational levels. Finally, enterprises with TIN are more likely to formalize than those without it.



## 6.2 Conclusions

The study revealed that there were numerous taxes which adversely affected business operations. These nuisance taxes were found to increase operational cost and reduce business profitability. Most enterprises do not have a written contractual arrangement with their employees which eventually weakened their bargaining power. The study also concludes that many informal enterprises applied for government stimulus packages but received no favorable response with some viewing it as political in nature.

Enterprises also maintained that government should extend stimulus packages to operators in the informal economy to alleviate the impact of COVID-19. Some enterprises underscored the importance of simplifying payment of taxes by introducing mobile money to enhance voluntary tax payments. Finally, the study concludes that the labour view is stronger in the speedy transition to formality.

## 6.3 Recommendations

The following recommendations are made for policy consideration:

### *Recommendations to GEA*

1. GEA in collaboration with its development partners should, as a matter of urgency, support CIBA and its members in the following capacity building and sensitization areas for onward transition to formality:
  - The Labour Laws of Ghana
  - Occupational Safety and Health
  - Maternity and Sick leave
  - Hours of work, Holidays and Overtime
  - Pensions and Social security benefits
2. GEA in collaboration with its development partners should also strengthen the structures of CIBA to effectively mobilize the informal operators for a quick transition to formality.
3. GEA should consider developing a Business Development and Basic Occupational Safety and Health plans for CIBA members with focus on transition to formality. ACT/EMP can play an instrumental role in this regard.
4. Currently, CIBA does not have a database for its membership. GEA should consider supporting CIBA to develop a database for its membership. This initiative would fast-track the formalization process.

### *Recommendations to CIBA*

1. CIBA should develop women empowerment programmes to ensure that the enterprise ownership gap between male and female in the CIBA membership is closed. This is necessary for poverty reduction, income equality and gender balanced business community in Ghana.
2. As part of the formalization process, CIBA in collaboration with the Ministry of Employment and Labour Relations should endeavor to educate and sensitize their members on the need to promote green enterprises. This initiative would contribute to preserve and restore the environment.

### *Recommendations to Regulatory Authorities*

1. Ministry of Employment and Labour Relations should work with the Social Partners (GEA and TUC) to expedite action on the implementation of the developed transition to formality roadmap to ensure that stakeholders benefit from the document
2. The Ministry of Trade and Industry should work with GEA and CIBA to develop industrial parks for the informal operators to serve as an incentive for formalization as well as organize the activities of CIBA members.
3. The government through the Ghana Revenue Authority (GRA) should consider a favorable review of the regulations and taxes for the operators in the informal economy, particularly at the infant stage.
4. The GRA in partnership with GEA and CIBA should embark on nationwide education and sensitization program on the need to acquire the TIN as well as its benefits to enterprises.
5. Government through the NBSSI should provide modalities on how informal employers can access the stimulus packages established.
6. The government, through the Ministry of Local Government and Rural Development should also defer the various levies paid to MMDAs by informal operators for at least 6 months in order to alleviate the social and economic impact of COVID-19 on enterprises
7. The government through the Ministry of Finance and Bank of Ghana, should implement sound macroeconomic policies that favor growth and development of

formal enterprises. Sound policies should be designed to reduce the time and cost of doing business in Ghana.

8. The Ministry of Local Government and Rural Development, and the Local Government Service should review its permit requirement procedures to incentivize informal enterprises to obtain permits for their business activities.
9. The survey finds the use of Child Labour among the CIBA membership. It is recommended that efforts be made by the Ministry of Employment and Labour Relations, the National Steering Committee of Child Labour, and the Social Partners together with CIBA, to rid the informal economy of child labour.
10. The existence of multiplicity of fees and levies at the local government level serve as a disincentive for the formalization of informal enterprises. It is recommended that the Ministry of Local Government and Rural Development, the Metropolitan, Municipal and District Assemblies consider a review of their fees and levying system.
11. Government through the Ministry of Health and Ghana Health Service should work with GEA and CIBA to intensify the education on COVID-19 among the informal operators to totally bring the pandemic under control in Ghana.

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## APPENDICES

### Box 3: Econometric Explanation of Logit Model

The logit model is used to identify the determinants of the decision to formalize. The model predicts the probability of occurrence of a discrete variable and is used under the condition that the variable has two outcomes only. Thus, the logit model is used because the dependent variable 'decision to formalize' is binary. That is, it takes the value 1 if the enterprise decides to formalize and 0 if otherwise.

$$P_i = E(y = 1 | x) = x\beta \dots\dots\dots (1)$$

Where  $P_i$  is the probability of occurrence,  $x$  is a vector of explanatory variables,  $y$  is the dependent variable (decision to formalize) which takes the values 0 or 1 and  $\beta$  is a coefficient vector of explanatory variables. The explanatory variables are age, age-squared, employment, business type, gender of head of enterprise, education of head of enterprise, Tax Identification Number (TIN) and National Addressing System.

$$P \int_{0=otherwise}^{1=formalize} = \sum_{i=1}^m E_i + \sum_{j=1}^n LV_j + \sum_{k=1}^p KV_k + \mu \dots\dots\dots (2)$$

Where  $E_i$ = Enterprise Factors

$LV_j$ = Labour view factors of formalization

$KV_k$ = Capital view factors of formalization

## Appendix 2: STATA 14 Output

```
. logistic DForm age ageS employ i.BusType Gender i.Educ TIN NIS
```

```
Logistic regression                Number of obs   =       523
                                   LR chi2(14)      =       128.61
                                   Prob > chi2       =       0.0000
Log likelihood = -169.4498         Pseudo R2      =       0.2751
```

DForm	Odds Ratio	Std. Err.	z	P> z	[95% Conf. Interval]
age	.9123277	.046243	-1.81	0.070	.8260497 1.007617
ageS	1.00138	.0009474	1.46	0.145	.9995245 1.003238
employ	1.206678	.0690213	3.28	0.001	1.078706 1.349831
BusType					
Familybusiness	.6582217	.6148463	-0.45	0.654	.1055025 4.10659
Ownaccount	.8031256	.6362902	-0.28	0.782	.1699825 3.794571
Gender	.0052738	.0063356	-4.37	0.000	.0005007 .055551
Educ					
AdultEdu	20.10515	43.64071	1.38	0.167	.2855416 1415.615
PrimaryEdu	27.04787	57.49721	1.55	0.121	.4194545 1744.139
SecondaryEdu	19.32774	38.65401	1.48	0.139	.3835679 973.9121
Voc/TechEdu	30.62978	61.67379	1.70	0.089	.5918744 1585.106
TertiaryEdu	29.22648	59.13977	1.67	0.095	.5538229 1542.347
JHS	20.15813	40.41617	1.50	0.134	.3961212 1025.823
TIN	20.36992	17.75841	3.46	0.001	3.689058 112.4769
NIS	.840914	.409675	-0.36	0.722	.3236419 2.184935
_cons	2.831257	6.324488	0.47	0.641	.0355269 225.6322



**Questionnaire on Supporting Members from the Informal Economy  
Against the COVID-19 Outbreak for Onward Transition to Formality in  
Ghana**

---

**The information solicited in this questionnaire is strictly confidential  
and is to be used for research purposes only**

**Section A: Reference Details**

A1: How long has the enterprise/business been in existence?.....(years)

A2: How would you best describe the enterprise/business?

- Own Account
- Family business
- Partnership/ Joint venture

A3: Which association under CIBA does your enterprise belong?

- Ghana National Association of Garages
- National Drinking Bar-operators Association
- Ghana Hairdressers and Beauticians Association
- Ghana National Tailors and Dressmakers Association
- Ghana Co-operative Bakers Association
- Federation of Ghanaian Jewellers
- National Association of Refrigeration Mechanics
- National Association of Traditional Healers
- Federation of Market Women
- Ghana National Traditional Caterers Association
- Other (specify) .....

A4: Who does the enterprise/business normally sell its goods or services to?

- Private individuals or households
- Small businesses, trade, farmers
- Middlemen, agents, contractors
- Large shops or enterprises in domestic market
- International market, export products
- Government agencies/public enterprises
- Other .....

A5: Where do you undertake your operations?

- Own house
- Structured factory/office



- Kiosk/container located on vacant public land
- Kiosk/container located on vacant private land
- Rented facility
- Other (specify) .....

A6: What is the gender of the head of this enterprise?

- Male
- Female

A7: What is the highest educational attainment of the head of the enterprise?

- No formal education
- Adult education
- Primary education
- Secondary education
- Vocational/ Technical education
- Tertiary education
- Other (specify) .....

A8: What is the highest educational attainment of your employees?

- No formal education
- Adult education
- Primary education
- Secondary education
- Vocational/ Technical education
- Tertiary education
- Other (specify) .....

A9: Has the enterprise been registered at the Registrar General's Department?

- Yes
- No

A10: If no, when do you intend to register the enterprise?

- This year
- Sometime in the future
- Don't know

A11: Has the enterprise acquired a business permit from the local authorities?

- Yes
- No

A12: If no, why?

- I don't have money to purchase a permit

- I don't require a permit to operate
- I don't know where to obtain a permit
- It is difficult getting a permit
- Other (specify) .....

A13: Do you pay any charges and fees for your business operations?

- Yes
- No

A14: If yes, what types of payments? [Tick all that apply]

- Assembly tolls
- Market tolls
- Association Dues
- Contribution to Market Queens
- Ground/Kiosk Rent
- Bar operation license
- Signage fees
- Property rates
- Other (specify).....

A15: Do these payments affect your enterprise?

- Yes
- No

A16: If yes, to what extent do these payments impact your enterprise?

- No impact
- Low impact
- Moderate impact
- High impact

A17: How often do you pay these levies?

- Daily
- Twice a week
- Weekly
- Monthly
- Year

A18: Do the workers in your enterprise/business belong to a trade union?

- Yes
- No

A19: If yes, does your enterprise practice collective bargaining with the union?

Yes

No

A20: How many persons in total do you employ (are working with you)?

		Men	Women
Partner(s) .....	1	----	-----
Paid employees .....	2	----	-----
Paid family members .....	3	----	-----
Unpaid family members .....	4	----	-----

A21: That means altogether there are ----- persons working with you.

A22: Out of the total number of persons employed in your workplace, how many fall within the following age categories:

- 1. Above 29 years -----
- 2. Below 15 years -----
- 3. Between 15-29 years -----

A23: Would you want to formalize your enterprise?

Yes

No

**Section B: Occupational Health and Safety**

B1: Do your daily economic activities mainstream Basic Occupational Safety and Health (BOSH) measures to protect workers, yourself and the workplace?

Yes

No

B2: If yes, what measures have you put in place?

.....  
.....

B3: If no, would you need support to build capacity on Basic Occupational Safety and Health (BOSH) measures?

Yes

No

B4: Do you believe that regular capacity building programmes by your association will encourage you to regularize Basic Occupational Safety and Health (BOSH) measures in your activities?

Yes                       No

B5: Does your association has BOSH action plan?

Yes                       No

**Section C: COVID-19, employment arrangements and working conditions**

C1: What is the contractual arrangement that exists between you and your employees?

Written

Oral

C2: Do you contribute to any pension scheme for your workers?

Yes                       No

C3: If yes, which of the categories of social security scheme do you subscribe to?

Tier 1

Tier 2

Tier 3

C4: If no, are you aware of the Tier 3 of the national social security scheme?

Yes                       No

C5: Do you think operators in the informal economy require sensitization on pensions?

Yes                       No

C6: If yes, why?

.....

C7: Do you pay National Health Insurance Levy (NHIL) for your employees?

Yes                       No

C8: How many hours do you work in a day? .....

C9: How many days do you work in a week? .....

C10: Do you encourage your female employees to go on maternity leave?

Yes                       No

C11: If yes, how many days do you give them? .....

C12: If no, can you explain why you don't allow them to go on maternity leave?

We don't have enough employees

- We have regular customers, they can't afford to go on holidays
- I pay them to do the job, they have to work
- Other (specify) .....

C13: Do your female employees receive wages while on maternity leave?

- Yes
- No

C14: If no, why?

- The financial situation of the enterprise is not good
- They can't be paid for no work done
- Other (specify) .....

C15: Do you allow your employees to go on Public Holidays?

- Yes
- No

C16: If no, why?

- We don't have enough employees
- We have regular customers, we may lose them
- I pay them to do the job, they have to work
- Other (specify) .....

C17: Do you allow your employees to go on sick leave?

- We don't have enough employees
- We have regular customers, we may lose them
- I pay them to do the job, they have to work
- Other (specify) .....

**Section D: COVID-19 and Enterprise Performance**

D1: What precautions related to sanitary protocol has your business taken to prevent the spread of COVID-19?

- Employees engaging in an in-person activity for the enterprise required to wear PPEs (masks, gloves, etc)
- Employees/suppliers engaging in an in-person activity for the enterprise required to wash hands at specified intervals
- Enterprise facilities (offices, warehouses, etc) cleaned at more frequent intervals

None (in-person activities occurring with no sanitary protocols)

D2: Is your enterprise currently in operation?

Fully operational

Fully but remotely

Partially operational

Not operational

D3: Have you noticed any change in demand for your produce/service?

No changes

High demand

Low demand

D4: Have you noticed any pricing changes due to COVID-19?

Prices have increased

Prices have remained the same

Prices have dropped

D5: What are the most critical challenges your enterprise faces today?

How to make a plan in the face of uncertainty

How to maintain business profitability

How to reduce my operating costs

How to manage business expectations during this crisis

How to work with a team remotely

How to deal with delays in the supply chain

Inability to service debt due to high interest rate

Other (specify) .....

D6: What do you think will be the most critical challenges your business will face when trying to return to normal operations once the COVID-19 pandemic subsides?

Working capital to resume operations

Market information, in order to understand the demand

Other (specify).....

D7: Is there a program that your enterprise would like to put in place due to COVID-19 but cannot?

- Employment protections (salary guarantees, job security)
- Paid sick leave or family leave
- Financial support for employees
- Provision of personal protective equipment (PPEs) to employees
- Food provision program
- Medical care provision program
- Transportation for staff
- Other (specify) .....

D8: How has COVID-19 impacted these business segments? *Check all that apply*

	Check if Yes	<i>Check if female employees disproportionately affected by this change relative to male employees</i>	<i>Check if youth (ages 35 or younger) employees disproportionately affected by this change relative to older employees</i>
Has the business laid off or suspended workers/put workers on unpaid leave due to COVID-19?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Has the business cut employee salaries or wages due to COVID? (including if business is cutting the amount of time employees are allowed to work)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Has the business decreased or eliminated employee bonuses due to COVID?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Has the business cut or terminated any alternative income generation activity?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Section E: Government Services, Financial Services & NGO Support**

E1: Do you have a Tax Identification Number (TIN)?

- Yes
- No

E2: If no, why?

- Fear of taxes
- Possibility of legal fees
- I don't know TIN exists
- Other (specify).....

E3: Does your enterprise have a National Identification System (NIS) address?

- Yes
- No

E4: Has your business taken advantage of any of the following COVID-related services/supports from government, NGOs, or other organizations

- Loans
- Tax relief
- Debt restructuring
- We have not received COVID-related services from NGOs or Government
- Other (specify) .....

E5: If not, why is the business not receiving any COVID-related services from NGOs or government?

- NGOs, government, or other actors are not offering any COVID-related supports
- Services are available, but my business does not need this type of support
- Services are available, but I do not believe that services will be useful for my business
- Services are available, but my business is not eligible
- My business applied for services and has not received a response
- My business applied and was denied for services
- Don't know how to apply for or obtain services
- The support is political in nature



Other (specify) .....

E6: What incentives do you require to induce, encourage and reward increased voluntary business registration and licensing?

- Simplify business registration forms for the informal economy workers
- Reduce time and cost in doing business in Ghana in relation to licensing and permits
- Reduce the number of days needed to acquire permits for building development or construction
- Tax holidays for newly registered small businesses
- Other (specify) .....

E7: What incentives would you require to induce, boost and reward increased voluntary pension compliance?

- Identify and build rapport with informal economy workers through Trade Associations.
- Provide simple and friendly forms/procedures for contributing payment and reporting
- Encourage and reward corporate trustees that bring informal economy workers on board
- Provide convenient and secured form of paying pension contributions
- Other (specify) .....

E8: What incentives would you need to induce and encourage compliance to occupational safety and health issues?

- Periodic education and sensitization programmes
- Institute Annual occupational safety Awards
- Financial support
- Other (specify) .....

E9: What incentives would you need to induce and boost tax compliance?

- Institute Annual Taxpayer Awards
- Simplify tax forms for the informal economy payment (tax stamp, vehicle income tax etc.)
- Simplify payment process (mobile money to be introduced)
- Continuously wage a tax education and awareness campaign
- Expunge inappropriate regulations and reduce taxes for informal economy operators to affordable levels

E10: Do you have a mobile money number to receive and to make payments? (If No, skip to E13)

- Yes
- No

E11: How has this payment system impacted on your business?

- Enhanced payment flexibility
- Saves time looking for change
- Convenience
- Other (specify) .....

E12: What policy response strategies should government implement to cushion your organization in this COVID-19 era?

- Extend the stimulus packages to reach businesses and employers in the informal economy
- Provide modalities on how informal employers can access the stimulus package established
- Defer the various levies of the Metropolitan Municipal and District Assemblies (MMDAs) for 6 of period months
- Other (specify) .....

*THANK YOU!!!*