United Nations

Workshop on statistics on services in the informal sector
17-21 June 1996, Addis Ababa, Ethiopia

Services in the Informal Sector (Uganda)

SERVICES IN THE INFORMAL SECTOR

The relative importance of Services in the Informal Sector can be gauged in terms of contribution to GDP, or in terms of employment in the sector as a percentage of the total work force.

Just like in many other developing countries, neither of these two indicators is readily available on the informal sector in Uganda. However, using some information from Surveys conducted in the country in the recent past, ie. Household Budget Survey (HBS) - 1989/90 and Integrated Household Survey (IHS) - 1992/93, reasonable estimates have been arrived at in respect of:

(a)   Wholesale and Retail trade,
(b)   Hotels and Restaurants,
(c)   Transport,
(d)   Recreation/Cultural activities,
(e)   Other services.

Despite the lack of concrete information on the contribution of the services sector, there is no doubt it plays a very important role in providing the required services when and where they are needed at an affordable price, and in absorbing the surplus labour force. The capacity of the informal sector to absorb surplus labour has been clearly demonstrated in Uganda. Restructuring in the civil service led to large reduction in formal sector employees. Many of those laid-off have found employment of one form or the other in the informal sector, especially the trade and transport sectors.

Identifying the different components of the sector:

The sector consists mostly of often unorganised or semi-organised and unregulated activities largely undertaken by self-employed persons, many of whom are mobile. Since activities are unorganised they are also rarely, if ever, covered by existing data collection machinery. They are therefore largely unenumerated.

Included are almost all private enterprises after deducting employment in the large industrial and commercial establishments. Here an enterprise is defined to include any economic unit engaged in the production of goods and services, whether employing one person or more and whether or not it has a fixed location. So a self-employed service worker (eg shoe-shine boy) is treated as constituting an individual enterprise. Defined this way the universe consisting of informal sector enterprise is indeed a large one.

Essentially, the sector is characterised by an absence of statistics. Casual labour, wheel-barrow pushing, domestic service, petty trade and street hawking, laundering, barbering, tailoring, house-cleaning and the other basic services which are provided whenever large groups of people congregate, absorb a substantial percentage of the urban working population. However the services are essentially unaccounted for and their output is very difficult to measure.

One other reason why informal sector activities are difficult to measure is the fact that most producers in the sector are part-time, the activity is often temporary, intermittent and only a secondary source of income. This is especially true of trade and commerce activities and a number of other services.

INCORPORATING THE SURVEY DATA INTO NATIONAL ACCOUNTS ESTIMATES

As far as has been possible, all survey results have been analysed and used in estimating both the Production and Expenditure (private consumption) sides of the accounts.

(a)   Wholesale And Retail Trade:

Wholesalers and Retail traders engage in the buying and selling of a wide range of commodities ranging from agricultural produce, imported and locally manufactured goods to second clothes and shoes. Most of the trade is informal with some traders operating from fixed addresses while others operate in ad-hoc markets, eg. the street hawkers.

Some information on trade margins, the measure of output in trade, was indirectly obtained from the Household Budget Survey (HBS) 1989/90. In the survey information was collected on Household Consumption of on food items both own grown (non-monetary) and purchased (monetary). By valuing monetary consumption at producer prices a difference in value was obtained between Production and Consumption. This difference is composed of transportation and trade margins. Direct information on trade margins was however obtained from the Integrated Household Survey (IHS) 1992/93.

(b) Repair Services:

Repair of motor vehicles, motor cycles, bicycles, personal and household goods makes a very large contribution to the services provided by the informal sector. Most of these services are provided by one-man enterprises which are spread throughout the country, but mostly concentrated in urban centres. The HBS collected information on households' expenditures on repair services and from IHS data was collected on numbers engaged and value added generated.

(c)   Hotels and Restaurants:

Most of the Hotels in the small urban centres are in the informal sector where they provide lodging and eating facilities. "Restaurants" range from the large structures utilised by tens of small producers in the urban centres to the one-man establishments on the road-sides selling all sorts of cooked and uncooked items for consumption on the premises. Even in the big urban centres there is now a proliferation of these "kiosks" selling especially soft drinks and edibles to the urban poor.

(d)   Transport:

Most of the road transport services provided by taxis and other forms of passenger and goods transport is in the informal sector. The other category are the private cars which operate as taxis only at peak hours eg. mornings and evenings, almost all are not registered for the purpose.

Bicycle/Motor cycle Taxis:

Of growing importance are services provided by bicycle and motorcycle taxis. These are now provided in both big urban centres and in the small ones where car taxis are very few or non existent. The services they provide by transporting both humans and goods is of great value especially because they can go to places where motor-cars will not go either because of poor roads or small number of passengers to carry.

It was virtually impossible to come up with reliable estimates of the contribution to GDP by bicycle taxis until the two surveys were carried out. HBS gave information on household expenditures while from IHS additional information was obtained on employment and value added.

(e)   Miscellaneous services:

This sector effectively includes all those services which are not covered elsewhere, such as sports, theater, dry cleaning, beauty parlours, funeral services, financial services, domestic services and so on. From the two surveys, expenditure by the households on the various services, value added and numbers employed were obtained.

Estimates for subsequent years:

In an ideal situation, estimates for each economic sector would be based on periodic censuses or country-wide surveys conducted to establish levels of production, then linked to ongoing sample surveys to monitor trends. However due to financial constraints and other logistical problems this ideal is never achieved. For example, though the IHS is being followed up by an ongoing series of surveys which monitor production, consumption and other social and

economic variables, the data collected only becomes useable after a long time lag.

In absence of survey data to make estimates for both subsequent years and years prior to the surveys referred to above, extrapolation basing on available indicators is resorted to. Population growth rates and Consumer Price Indices (CPI), are commonly used to extrapolate and inflate, respectively.

DISSEMINATION OF DATA

Numerous avenues have been used to disseminate the data on to the various interested parties.

Publications:

Publications detailing sampling procedures, field activities and survey results for both HBS and IHS were widely circulated. Similarly, National Accounts publications containing the data as well as sources and methodology have been published.

Workshops:

At the end of surveys, workshops to launch the survey results are held. Workshops on National Accounts aimed specifically at explaining the estimates have also taken place. Discussions centre on sources, methods, possible shortcomings in the estimates and proposals for the future.

THE HBS:

First major survey on Household Expenditure since the Family Budget Surveys conducted in early sixties.

Initially idea was to have a multi-purpose, multi-subject survey covering a wide range of subjects through an Integrated Household Questionnaire. However, it was later revised to a simple uni-subject survey with main emphasis on collecting household consumption expenditure on food and non-food commodities and services. Additionally some broad data was collected on household composition, sex, age, economic activities of household members etc.

THE IHS:

The National Integrated Household Survey (IHS) was conducted from March 1992 to March 1993 as part of the Social Dimensions of Adjustment (SDA) Programmes.

IHS was more comprehensive than HBS (1989/90) in terms of area and subject coverage. The main objective was " to plan, design and conduct integrated household, community and monitoring surveys and to prepare reports thereon providing a complete and integrated data set needed to understand the mechanisms and effects of structural adjustment processes at household and community level"

Data was collected on household consumption expenditure, and on a complete range of activities by small scale and household-based enterprises as shown below:

(a)   All social-economic aspects of households:
-     Household Characteristics
-     Education
-     Health fertility and mortality
-     Activity
-     Employment and time use
-     Migration, housing
-     Household income and expenditure, etc.

(b)   Household Enterprises and Small Scale Establishments:
- Inputs
- Outputs
- Other characteristics of small establishments employing less than five employees.
- All household farming/non-farming enterprise activities carried out by members of the household without identifiable establishments.

Included were all sorts of businesses whether with permanent or temporary structures like road-side shades, mobile traders like street hawkers, bicycle taxis, etc. Data was collected on capital invested, persons engaged (proprietor, paid and unpaid employees), labour inputs and other inputs.