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ARTICLE

### **Voluntary Exit from Formal Wage Employment and Well-being Perception: Evidence from Self-employed Informal Workers in Nigeria**

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# **Voluntary Exit from Formal Wage Employment and Well-being Perception: Evidence from Self-employed Informal Workers in Nigeria**

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## **Abstract**

Evidence from developed and more advanced developing countries indicates that voluntary transition from formal wage employment to informal self-employment correlates positively with improvement in workers' well-being. However, studies examining this assumption in less developed countries remain scarce. This paper uses surveys and in-depth interviews to test whether the self-rated well-being of workers who voluntarily transitioned from Nigeria's formal wage employment to informal self-employment resonates with this hypothesis. T-tests, principal component, regression, and thematic analyses were used to explore the effects of transition timing and education on workers' well-being. The findings indicate that voluntary exit from formal wage employment to informal self-employment indeed correlates positively with well-being improvement. However, the well-being return to voluntary transition is mediated by timing and education, with respondents who transitioned before 2010 reporting a statistically significant better improvement in their well-being than those who transitioned after 2010. This implies that the well-being predictive potentials of voluntary transition and education in self-employment vary with the timing and the social, economic and political contexts under which transition occurs. Therefore, these factors must be taken into consideration to avoid overestimating or underestimating the well-being benefits associated with voluntary transition to self-employment.

**Keywords:** Formal Employment, Informal Employment, Self-employment, Nigeria, Well-being

## **1. Introduction**

Despite apparent agreement on what constitutes decent work and its well-being prospects (United Nations 2016: 26), the employment route to these ideals remains contested (Dolan, Peasgood and

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White 2008: 101). While it is often held that formal employment is a better path to decent work and improved well-being due to workers' legal entitlement to employment-linked benefits (Deranty and MacMillan 2012; International Labour Organization [ILO] 2014a), this assumption is increasingly being questioned by ineffective access to these benefits in many developed and developing countries, especially since the 1980s (Castells and Portes 1989: 30-32; ILO 2014b; 2015a; Shapland and Heyes 2017). Consequently, beyond legal entitlements to employment-linked benefits, the context of work, which includes the regulatory and operational norms existing in a particular place and time, as well as workers' circumstances and preferences have become increasingly important factors mediating between work and well-being (Perry, Maloney, Arias, Fajnzylber, Mason, and Saavedra-Chanduvi [Perry et al.] 2007). Nevertheless, the traditional notion that links workers in informal employment with well-being deprivations persists, although recent studies (see Monteith and Giesbert 2016) have challenged this generalization. Thus, it is argued that well-being deprivations relate more to workers compelled to informal employment by exclusion or necessity factors rather than those who enter for voluntary or opportunity considerations (Maloney 2004: 1161).

Against this background, this paper draws from a mixed-methods analysis on the experiences of workers in Nigeria to: 1) test the hypothesis that voluntary exit from formal wage employment to informal self-employment necessarily correlates with improved workers' well-being; 2) examine if there is a difference between the well-being of workers who transitioned from Nigeria's formal employment to informal self-employment before and after 2010 and; 3) explore the influence of education and formal employment experience on the well-being of the two groups. A combination of statistical tools, including t-tests, principal component, and regression analyses were used to analyze the survey data, while in-depth interviews were transcribed, analyzed for their contents, and organized into themes related to the research objectives.

Consistent with the evidence from developed and Latin American countries, the study finds a statistically significant positive correlation between voluntary transition and workers' well-being improvement. However, the paper adds to the literature in the following respects. First, the article sheds light on the influence of timing, and social, economic, and political context on the well-being return to voluntary transition by reporting a statistically significant difference in the well-being of workers who transitioned from formal wage employment to informal self-employment before and after 2010. Thus, the study argues that discounting these factors could result in overestimating or underestimating the well-being return to workers' voluntary transition. Two, the well-being predictive potentials of education in self-employment vary by the timing, and the social, economic, and political context under which transition occurs. Third, contrary to expectations, longer duration

in self-employment rather than formal wage employment was found to be more predictive of well-being. The paper contributes to a better understanding of the discrepancy between the lived experiences of formal wage employees in Nigeria and the ideal-typical conception of formal employment as synonymous with better socio-economic well-being. This poses a challenge for dominant discourses on formalization and decent work, which do not take into account workers' circumstances and the social and institutional context of their work.

The remaining part of this paper is structured as follows. Section 2 discusses the concepts of formal employment and informal self-employment. Section 3 presents an overview of the two broad theoretical perspectives on workers' transition across labour market sectors. Section 4 addresses the changing conceptualizations of well-being. Section 5 introduces the context of the research. Section 6 discusses the data and methods adopted for the study. Section 7 presents the empirical results and initiates discussions. The final section concludes and discusses some implications of the findings.

## **2. The Concepts of Formal and Informal Employment**

Employment types are often classified in terms of their conformity or deviation from the Fordian model of a standard and permanent contract, with workers' entitlement to social security benefits as its key distinguishing feature. Formal wage employment is widely believed to fulfill this requirement (Monteith and Giesbert 2016: 2; Shapland and Heyes 2017: 375). Therefore, formal employment is conceived here as the exchange of mental, emotional and physical labour for salaries/wages and other socio-psychological benefits on behalf of legally registered organizations which provide social security benefits such as pension and/or health insurance/access to healthcare delivery services as integral parts of a standard and permanent contract.

On the other hand, employment types that do not or partially conform to this prototype are variously described as non-standard, contingent, vulnerable, atypical, precarious and informal employment, which often includes self-employment (ILO 2015b: 1). This paper focuses on self-employed informal workers, conceived here as individuals who engage in economic productions and transactions for themselves whether in registered or unregistered enterprises, provided that they and/or their employees are not entitled to employment-linked social security such as pensions and/or health insurance or access to healthcare delivery services, which are characteristics of standard and permanent employment. This definition is consistent with the distinguishing features of formal and informal employment contained in the 17<sup>th</sup> International Conference of Labour Statisticians [ICLS]'s Resolution (ILO 2003: 13-14).

### **3. Theoretical Approaches to Informal Employment**

Workers' participation in informal employment is often viewed from two broad theoretical perspectives: exclusion and voluntary exit (Budig 2006; Perry et al. 2007). This section briefly discusses their significant arguments, beginning with the exclusion perspective, the oldest and most dominant view.

#### **3.1. The Exclusion Perspective**

The exclusion perspective derives from the dual labour market hypothesis, which is associated with Lewis (1954) and Harris and Todaro (1970). According to this perspective, workers are compelled to seek refuge in informal employment because they lack the required human capital standards to enlist in the more lucrative and preferable, but scarce formal sector jobs (Todaro and Smith 2012: 328). Another version of the exclusion perspective links informal employment with globalization and global corporations' quest for profit maximization through outsourcing, global value chains, contingency employment, and offloading workers least adaptable to economic and technological changes (Castells and Portes 1989: 30-32). A third version of the exclusion perspective depicts informal workers as those driven into informal employment by structural or economic crises, as experienced by Latin American and Asian countries in the 1980s and late 1990s, respectively (Chen 2012). Similar findings were reported in some African countries following the implementation of the structural adjustment programmes. Confronted with the austerity of public sector reforms: wage freeze and shrinking social expenditures amid rapid inflationary trends, many formal employees sought alternative incomes in informal employment to supplement their earnings. Similarly, those who lost their jobs to restructuring and unable to secure other formal jobs also resorted to informal employment (Meagher and Yunusa 1996). The final version of the exclusion perspective sees transition to informal employment as workers' revolt against corrupt state bureaucracy, deficient administrative procedures, absence of property rights, and poor contract enforcement that hinder their desire to operate formally (De Soto 1989). Despite their different views on the drivers of exclusion, the notion that informal workers are disadvantaged individuals whose well-being improvement depends on transitioning to and remaining in formal employment unites proponents of this perspective (see ILO 2014a).

### **3.2. The Voluntary Exit Perspective**

The voluntary exit perspective arose to address the shortcomings of the exclusion perspective. Although the perspective has received inputs from many scholars, Maloney (2004) and Perry et al. (2007) are perhaps the most cited of them. The voluntary exit perspective acknowledges that some workers enter informal employment due to exclusion factors, but argues that some also voluntarily become informal as a better strategy for socio-economic advancement, as well as for personal and circumstantial reasons (Maloney 2004; Perry et al. 2007). Therefore, voluntary exit is used in this paper synonymously with the status advancement thesis by which formal employees faced with poor work quality such as low or irregular pay, difficulty in combining work and other aspects of life and unsatisfactory effective entitlement to employment-linked benefits decide to quit and transition to self-employment as a better strategy for socio-economic mobility (see Budig 2006: 728).

Unlike the exclusion perspective, this perspective acknowledges that workers in informal employment are heterogeneous, cutting across demographics and other characteristics. The perspective also highlights the discrepancy between workers' legal entitlements to and ineffective access to employment-linked benefits, thereby calling into question the state's capacity to perform the regulatory functions that underpin the demarcation between formal and informal employment (Maloney 2004; Perry et al. 2007; Shapland and Heyes 2017). Indeed, the fact that many workers self-select into informal self-employment despite the risks associated with setting up enterprises suggests that they derive some well-being benefits beyond expected compensation from the ideal-typical social protection provided by formal employment (Moore and Mueller 2002; Maloney 2004). Third, unlike the exclusion perspective, the voluntary exit perspective emphasizes the effects of transformations in the neoliberal notion of a perfect family and gender division of labour on workers' employment preferences (Teachman, Tedrow, and Kim 2013). Finally, the perspective departs from the exclusion perspective by acknowledging beyond monetary rewards, the incompatibility between the rigid composition and modus operandi of formal employment and workers' desire for the intrinsic aspect of work such as autonomy, creativity and physically and mentally stimulating work as drivers of informal self-employment (Lange 2012).

However, most studies on voluntary entry into informal employment have been conducted in developed and more economically advanced developing countries, thereby raising questions about their generalizability to other developing countries (Kucera and Roncolato 2008: 325). These studies have also tended to link voluntary exit and well-being improvement with developed countries, presuming that exclusion factors and well-being deprivations predominate in developing countries

(Margolis 2014: 8-9). Therefore, this study presents a perspective from Nigeria, a lower-middle-income country.

#### **4. The Concept of Well-being and its Multidimensionality**

Despite increased advocacy for indicators beyond the economic conception of well-being, especially since the 1970s, the use of the GDP continues to dominate (Haybron 2013: 218). Thankfully, in recent years, the initial skepticism about measures of well-being is gradually being demystified by the emergence of a more diverse range of variables such as social inequality, health, education, housing, childcare and domestic work, security, hygiene, and freedom geared towards measuring well-being (Sen 1999; Dolan, Peasgood, and White 2008; Dolan and Metcalfe 2012).

Nevertheless, researchers and policymakers still disagree about definitional adequacy and where to draw the limits regarding the multiplicity of variables that comprise well-being. Yet for policy purposes and proper targeting, identifying variables that exert the most significant influence on well-being within particular contexts of research constitutes a fundamental step. Therefore, well-being is conceived here as the totality of an individual's psychological evaluation of her/his access to and/or chances of accessing tangible and intangible desirables of an ideal life prescribed by a society to which she/he belongs or identifies. This definition rests on the assumption that gauging people's well-being from their objective realities alone could be misleading. The evaluations that they assign to such realities and their self-positioning on life satisfaction scales, taking both material living conditions and non-material aspects of life into consideration vis-à-vis other people or particular reference groups are no less important (Dolan, Peasgood, and White 2008; Dolan and Metcalfe 2012: 411).

The indicators used for measuring workers' well-being in this study mainly resonate with the "material living conditions, quality of life and socio-economic, and natural systems sustainability" dimensions of well-being highlighted in the OECD Compendium of Well-Being Indicators. These measures include earnings, work-life balance, personal initiatives and autonomy at work, social relationships within and outside work, study/training opportunities, management of risks/vulnerabilities, and so on (Organization for Economic Co-operation and Development [OECD] 2011: 5-6).

## **5. Contextual Background**

### **5.1. Nigeria's Economy and Labour Market Characteristics**

Nigeria is a lower-middle-income country with a GDP of USD\$507.9 billion and a per capita income of USD\$2,790 in 2015 (World Bank 2017: 13). Although the country ranks 6th in Africa and 12th in the world in crude oil production capacity, its social development indicators remain worrisome (UNDP 2015b: 20; World Bank 2016: 25-30). Unemployment and underemployment rates in the country were 18.8 and 21.2 percent, respectively, in March 2017 (NBS 2017: 15). Consequently, many workers seek refuge in informal self-employment to cope with the scarcity of formal jobs (World Bank 2015). Similarly, those dissatisfied with worsening quality of work and uncertainty about their social mobility prospects in formal employment, especially since the 1980s are either 'moonlighting' or altogether quitting formal jobs to set up their enterprises (Meagher and Yunusa 1996; World Bank 2013: 38; World Bank 2016: 10). The next section discusses some transformations related to formal employment and workers' well-being.

### **5.2. Economic Reforms and Workers' Well-being in Nigeria**

Nigeria has not been immune to globalization and the dictates of global governance institutions. Thus, in deference to the policy direction of the World Bank and the International Monetary Fund, the country began the implementation of the structural adjustment programmes (SAPs), a pro-market public sector reform aimed at reducing the cost of governance, especially in the areas of health, salaries/wages, education, housing and pensions in 1986 (Meagher and Yunusa 1996: 2; World Bank 2015). On return to democratic rule in 1999, these reforms were intensified through the rationalization of many incentives historically enjoyed by public service workers. For example, the government stopped providing and maintaining residential apartments for senior civil servants and sold these apartments to interested buyers, giving preference to occupants. Payments were deducted in installments directly from beneficiaries' monthly salaries/wages until the total sums were paid (Office of the Secretary to the Government of the Federation [OSGF] 2015). However, many workers who could not purchase these apartments resorted to two primary strategies. First, was to live on the outskirts of major cities to avoid the high accommodation cost in the city centre, but had to contend with deplorable road networks and high cost of commuting to work (see World Bank 2016: 29-30). Second, was to reduce expenditures on other household consumables to cope with high accommodation costs in cities, which further undermined their living standards. Similarly, those who



bought these apartments were faced with the dilemma of sustaining their living standards and servicing the loans procured to buy them (OSGF 2015).

The reform also abolished the historical practice of buying and servicing vehicles, as well as the government's financial responsibility to domestic support staff of senior public officials. These benefits were, in turn, monetized and consolidated into total salary/wage packages (OSGF 2015). Furthermore, the government disclosed that subsidies on petroleum products were no longer sustainable because they were crowding out resources for physical and other social infrastructure. The removal of subsidies resulted in continuous increases in the prices of petroleum products. For example, on 1st January 2012, the price of a litre of petrol was increased from USD\$0.414<sup>1</sup> to USD\$0.92 (International Institute for Sustainable Development [IISD] 2016: 1), resulting in a nationwide protest that lasted for ten days. Although the demonstrations eventually compelled the government to reduce the price of petrol to USD\$0.62 per litre, it had less significant effects on inflationary trends in the country, as costs of transportation, food and other essential consumables soared, further undermining the living standards of formal wage workers (World Bank 2013; UNDP 2015b; IISD 2016).

Moreover, the 2008 global financial turbulence and the subsequent sharp decline in the prices of crude oil weakened the capacity of public and private enterprises to fulfill many institutionalized employment-linked benefits such as salaries/wages, healthcare services, pensions, and housing. For example, the price of a barrel of crude oil crashed from USD\$147 in July 2008 to USD\$47 by January 2009, compelling the government to further cut social spending (Ajakaiye and Fakiyesi 2009: 7). The cumulative effects of the macroeconomic instability from the global financial turbulence mostly explained the economic recession that Nigeria experienced in the second quarter of 2016. Although the country is officially out of the recession (NBS 2017), many formal employers and employees have yet to recover from the shock, as the former's quest for cost-efficiency continues to erode the benefits traditionally associated with formal employment (UNDP 2015a; World Bank 2016).

Perhaps, contributing most to the contradiction between the ideal-typical conception of formal employment and ineffective access to employment-linked benefits is the state's incapacity to enforce appropriate labour and employment legislations (Adewumi and Adenugba 2010). For example, it was reported recently that approximately 900 pensioners of the defunct Nigeria Airways died between September 2004 when the company was liquidated and 2017 while awaiting their terminal benefits, totaling USD\$255 million<sup>2</sup> (Ahiuma-Young 2018).

## 6. Data and Methods

The study used a mixed-methods technique, comprising a survey and in-depth interviews to examine workers' experiences with voluntary transition from formal wage employment to informal self-employment in Nigeria between 1990 and 2017. Fieldwork was conducted in Apapa, Ikeja, Ilupeju and Lagos Island, Lagos State, Nigeria, between June and September 2017 to ascertain how workers perceived their well-being in informal self-employment in comparison with formal wage employment (see summary statistics in Appendix 1). Informal networks, including four local research assistants (two recruiters and two co-interviewers) assisted in identifying and interviewing respondents based on having previously worked in institutionalized enterprises offering benefits such as pensions and/or access to healthcare services (based on labour protection definitional criteria of the 17<sup>th</sup> International Conference of Labour Statisticians's (2003: 13-14), but voluntarily resigned to establish their informal enterprises.

Data collection involved two phases. The first phase took place in June 2017. As suggested by Kucera and Roncolato (2008: 325), in the absence of panel data tracking transition across employment sectors in Nigeria, a snowball sampling technique was used to recruit and interview respondents who met the criteria mentioned above. In the second phase, a semi-structured questionnaire was administered to 100 recruited respondents at their enterprises or houses in July 2017 by the researcher and his collaborators. The questionnaire had 31 questions divided into three sections. Section one focused on the socio-demographic characteristics of respondents. Section two comprised 19 questions on formal employment experiences, while section three had 12 questions exploring respondents' self-rated well-being while in formal employment and informal self-employment.

The next stage of the fieldwork involved the use of a simple random technique to select 80 respondents, most of whom were also involved in the survey phase for further in-depth interviews. A semi-structured interview guide was used for this purpose. Estimates of GDP deflators were obtained from the World Development Indicators to reconcile inflationary trends with earnings from 1990. Each respondent's year of exit from formal employment was used as the base year, and to estimate 2017 earnings. SPSS and STATA were used for t-test analyses to compare means between variables of interest. Also, principal component analysis was used to reduce the 12 multidimensional questions measuring well-being and create a composite index, which subsequently facilitated a regression analysis with selected independent variables. On the other hand, in-depth interviews were transcribed, analyzed for their contents, and organized into themes related to the research objectives.

## 7. Presentation and Discussion of Results

### 7.1. Earnings in Formal Employment and Informal Self-employment

This section tests if voluntary transition from Nigeria's formal employment to informal self-employment is associated with higher earnings. Besides addressing inflationary trends with estimates of GDP deflators between 1990 and 2017, respondents were asked about their take-home pay after deducting profits, business capital and enterprise running costs, including payments to employees. The result indicates that the earnings of 75 percent of the respondents increased, but decreased for the remaining 25 percent. A two-sample t-test was subsequently conducted to compare earnings in formal wage employment and informal self-employment. The result indicates that earnings in informal self-employment were statistically significantly higher than earnings in formal wage employment (see Table 1 below).

**Table 1 Earnings (₦) in Formal Employment Versus Informal Self-employment**

Employment Type	T-Test Results							
	N	M	SD	SEM	t	df	p	d
Formal Wage Employment	99	568	421	42.3				
Informal Self-employment	92	750	472	49.2	2.8	189	0.0026*	0.408

Notes: 1. N=Number of Observations; M=Mean; SD=Standard Deviation; SEM=Standard Error of Mean; df=Degrees of Freedom; d=Cohen's d (Effect size).

2. Official Exchange Rates on 29/09/2017 was USD\$1=₦306.

Sources: 1. Fieldwork 2017

2. Central Bank of Nigeria-<https://www.cbn.gov.ng/rates/ExchangeArchives.asp>.

However, the difference in the self-employed earnings of respondents who transitioned before 2010 and after 2010 was not statistically significant (see Table 2 below).

**Table 2 Period of Transition Versus Earnings (₦)**

Period of Transition	T-Test Results							
	N	M	SD	SEM	t	df	p	d
Before 2010	29	785	409	42.3				
After 2010	63	734	500	49.2	0.48	90	0.633	0.111

Notes: 1. N=Number of Observations; M=Mean; SD=Standard Deviation; SEM=Standard Error of Mean; df=Degrees of Freedom; d=Cohen's d (Effect size).

2. Official Exchange Rates on 29/09/2017 was USD\$1=₦306.

Sources: 1. Fieldwork 2017

2. Central Bank of Nigeria-<https://www.cbn.gov.ng/rates/ExchangeArchives.asp>.

Furthermore, a multiple regression analysis was conducted to predict earnings in self-employment from formal wage employment's period of exit, age, gender, education, time spent in formal and informal self-employment (see Table 3 above). The model statistically significantly explained 19.4

**Table 3 Summary of Regression Analysis on Selected Predictors of Earnings (₦) in Self-employment**

<b>Explanatory Variables</b>	<b>B</b>	<b>SE</b>	<b>β</b>	<b>t</b>	<b>p</b>
Intercept	-493	439		-1.39	
Period of Exit from Formal Employment	50	117	0.50	0.43	0.70
Age	19	79	0.40	0.24	0.81
Gender	203	98	0.22	2.08	0.041**
Marital Status	324	141	0.26	2.30	0.02**
Education	165	58	0.28	2.83	0.01**
Years Spent in Formal Employment	-71	51	1.91	-1.40	0.17
Years Spent in Self-employment	101	47	0.26	2.15	0.04**

Notes: 1. \*\*Statistical Significance at  $p < 0.05$ ;

2. Official Exchange Rates on 29/09/2017 was USD1=₦306.

Sources: 1. Fieldwork, 2017

2. Central Bank of Nigeria-<https://www.cbn.gov.ng/rates/ExchangeArchives.asp>.

percent of earnings in self-employment,  $F(7, 84) = 4.124, p < .05$ ,  $R^2 = 0.256$ . Gender, marital status, education and years spent in self-employment statistically significantly predicted earnings. Surprisingly, years in formal employment negatively predicted earnings, although the result was not statistically significant at the conventional level.

Although the data did not allow the author to compare earnings with work hours, evidence suggests that the self-employed in developing countries work fewer hours compared to their counterparts in developed countries (Burchell et al. 2015: 35). Indeed, most respondents reported having better control of their time and pace of work as self-employed persons. Remarkably, the fact that earnings in self-employment declined for one-quarter of the respondents suggests contrary to the dominant narrative, that voluntary transition from formal wage employment to informal self-employment is not always associated with better earnings, although most respondents reported improvement in multidimensional well-being. This implies that other aspects of their jobs might have compensated for the decline in earnings. Respondents particularly cherished their improved health condition, harmonious family relationships and personal fulfillment from their jobs, as substantiated by respondent 4<sup>3</sup>, male, [Interviewed on August 22, 2017]:

“My well-being is 100 percent better...Despite my age, my health is better now. If I were still in formal employment, every morning at 6 AM, I would have to wake up to bath and struggle to

catch a bus to go to work. But now, some days when I wake up, if I feel too tired to go out, I relax and take some rest... Maybe I would have been dead [by now].”

Another respondent puts it somewhat differently:

Respondent 40<sup>4</sup>, male, [Interviewed on September 19, 2017]: “...They can be paying my friend in formal employment ₦1 million<sup>5</sup>, but he doesn't have time for himself and his family at all, and that's what I cherish. My time is for my children and family because they are my tomorrow. What is the essence of having billions of Naira and your children are wayward because you are not there to train them? But when you are self-employed, you let them know the principles of life. They will not be flamboyant.”

Similarly, respondents particularly cherished the sense of fulfillment and the goodwill derived from rendering valuable services, which were believed to be unquantifiable in monetary terms. No other respondents expressed this better than respondent 60<sup>6</sup>, male, [Interviewed on August 23, 2017]:

“...I am better off now because my drive is not money...My drive is the impact I have made on people...You don't report to anybody and your decision is not just based on your financial returns...If something is going for ₦1million and you bought it for ₦800, 000, but see somebody who is desperately in need of it, you can say okay give me ₦900, 000. It is your decision. The person knows that it is ₦1million because he has gone round...there is joy in helping...Goodwill, you cannot quantify in financial terms!”

Moreover, comparing earnings in formal and informal employment without considering the psychological and physical stress, as well as financial expenses on food, transport and corporate clothing, that respondents perceived as additional costs in the former could be misleading. Indeed, Sen (1999: 284) has highlighted the shortcomings of merely relying on earnings to predict well-being without considering these “conversional factors”. Despite earning more in self-employment, respondents reported reduced expenses on transport and food due to the proximity between their enterprises and houses. Women in particular reportedly had their expenditures on after school childcare services and office-type personal, and social clothing<sup>7</sup>, bags, and shoes reduced significantly since corporate dressing was often not required in self-employment, unlike formal employment.

Notably, many women felt guilty about not being able to perform their family and other domestic responsibilities, suggesting that they might have tolerated poor salaries/wages in formal employment insofar as their work schedules were compatible with the performance of these roles (see Budig 2006: 727). This resonates with the previous findings that women tend to perceive their earnings as merely supportive rather than being the primary source of household incomes (Monteith and Giesbert 2016: 10). Respondent 75<sup>8</sup>, female, [Interviewed on August 23, 2017] might have reconsidered her decision to quit her job if given the option of earning a little lower in return for a more flexible work schedule that allows her the opportunity of attending to her family needs. She claimed that her decision to resign was informed by frequent reports from her son's teachers that he was losing concentration at school due to the trauma related to his father's death (her spouse). She reminisces:

“...Unlike the office work that will take too much of my time to check their homework, to supervise them...Now, my boy is performing well...unlike taking much of my time working without knowing the abilities of my children. When I was working at Mobil, I have to take my clothes to the laundry and that made me lazy...I felt that if I continued like that, my children might not even know how to do house chores. But being self-employed, my daughter can now cook. She can wash and tidy the house even when I am down [sick]...When my daughter entered Junior Secondary School, there were a lot of challenges, being a girl, forces from men, boys, and girls...I now compared, what if I was still at Mobil, will I notice all these in her? I believe they [children] are my future. Their foundation and upbringing is my job. I am the only one they look up to, and once I fail that responsibility, I know God will not forgive me!”

Finally, the multi-tasking opportunities offered by self-employment were particularly cherished for their link with creativity, talent sharpening, and knowledge enhancement, unlike formal wage employees who may be confined to routine schedules associated with a strict division of labour. Thus, earnings and promotions in self-employment were believed to relate directly to these factors rather than repetitive schedules and subjective considerations, as is often the case in formal employment.

## **7.2. Education and Earnings in Self-employment**

This section provides further details on changes in the respondents' educational profiles that may have contributed to the reported self-employment earnings in sub-section 7.1 above. A paired t-test

analysis revealed a statistically significant improvement in the educational attainment (average years of schooling) of the respondents ( $M= 16.9$ ,  $SD=1.57$ ) while in self-employment compared to when they quit formal employment ( $M = 14.8$ ,  $SD = 1.83$ ),  $t(99)= 13.5$ ,  $p =0.001$ ,  $d= -1.35$ . This may be attributed to respondents' seeking to upgrade their educational profiles in preparation for future labour market opportunities (Van der Sluis, Van Praag and Vijverberg 2008). It is also possible that most of the respondents (58 percent) who reported being dissatisfied with opportunities for training/further studies in formal employment found better opportunities in self-employment to fulfill this aspiration, as corroborated by 73 percent. Moreover, increased self-employment earnings may have also made higher education costs more affordable. Finally, unlike formal wage employees, respondents may have leveraged the greater autonomy and time control offered by self-employment to further their education (Lange 2012).

Although longer years in formal employment correlated negatively with earnings (see Table 3 above), the quality of formal employment-linked training and experiences positively impacted respondents' human capital, earnings, and overall well-being as self-employed persons (see Kim, Aldrich and Keister 2006). Indeed, many respondents reported being selective in their choice of formal sector enterprises to enlist in, preferring those offering opportunities for training/skills acquisition, networking, business and relationship management, as well as access to modern technologies. For example, respondent 31, male, [Interviewed on September 18, 2017] was grateful for the opportunities he had to attend series of training related to insurance and various aspects of safety management in the course of his 19 years career in a private insurance company. He disclosed that this influenced him to register a safety company, which currently organizes training and seminars on safety issues, besides operating a business centre. Respondent 21, male, [Interviewed on August 23, 2017] also enlisted in a private multinational architectural company, which designs and produces beddings and roofing materials to acquire knowledge about modern technologies and techniques of production before setting up his enterprise in the same industry. Similarly, respondent 1, female, [Interviewed on August 21, 2017] attributed her decision to establish a crèche and preschool to the skills and experiences acquired while teaching in a federal university staff secondary school in Lagos.

These experiences highlight the fact that a stint in formal employment sensitized respondents to opportunities both within and outside their organizations that they eventually explored in self-employment. This was particularly true of respondents whose formal employment involved installation and repair of electrical and telecommunication appliances, construction works, events management, teaching, travelling, and hospitality. Respondents 76<sup>9</sup>, male, [Interviewed on August 23, 2017] and 12<sup>10</sup>, male, [Interviewed on August 22, 2017] recalled occasionally engaging in

‘moonlighting’ during weekends and after official working hours before quitting formal employment to establish their enterprises, where they now install, sell and repair electrical appliances and telecommunication facilities, respectively. Many female respondents were also engaged in sales of various wares, including clothing, bags, and shoes while in formal employment to supplement their incomes. Some others were involved in traditional clothes weaving and customized souvenirs, as well as beads making and demand-driven catering services.

### 7.3. Comparison of Well-being while in Formal Employment with Period of Exit

As shown in Table 4 below, there was no statistically significant difference in perceived well-being deprivations while in formal employment between respondents who transitioned before and after 2010. Instead, most respondents linked formal employment with economic insecurity, limited

**Table 4 Well-being Assessments while in Formal Employment Versus Period of Exit**

Well-being Indicators	Before 2010				After 2010				T-Test Results		
	N	M	SD	SEM	N	M	SD	SEM	t	df	p
Work-life balance/Flexibility in the use of time	31	2.06	0.57	0.10	69	2.10	0.71	0.85	-0.25	98	0.60
Ability to take personal initiatives	31	1.94	0.63	0.11	69	2.19	0.69	0.08	-1.73	98	0.96
Status mobility/enhancement opportunities	31	1.87	0.76	0.14	68	2.10	0.76	0.09	-1.41	97	0.92
Savings	31	1.68	0.6	0.10	69	1.84	0.66	0.08	-1.18	98	0.88
Income	31	1.77	0.62	0.11	69	1.81	0.62	0.80	-0.28	98	0.61
Participation in social and cultural activities	31	2.19	0.54	0.10	69	2.26	0.63	0.80	-0.51	98	0.70
Assets ownership	31	1.71	0.64	0.12	68	1.82	0.60	0.70	-0.86	97	0.80
Coping with child care	23	2.04	0.47	0.10	59	2.03	0.59	0.08	0.07	80	0.47
Training/further studies	31	2.16	0.64	0.11	68	2.29	0.83	0.11	-0.79	97	0.78
Choice of neighborhood/residence/housing	31	2.03	0.55	0.10	68	2.13	0.67	0.08	-0.73	97	0.77
Household consumption	31	1.97	0.6	0.11	68	2.09	0.77	0.09	-0.77	97	0.78
Protection from vulnerabilities/management of risks	30	2.13	0.68	0.12	69	2.06	0.78	0.09	0.46	97	0.32

Notes: N=Number of Observations; M=Mean; SD=Standard Deviation; SEM=Standard Error of Mean; df=Degrees of Freedom. Source: Fieldwork 2017

opportunities for multiple functionings and capabilities enhancement, constrained personal development prospects, and inadequate employment-linked social protection, especially healthcare services and pensions. Thus, their decision to voluntarily quit formal wage employment and transition to informal self-employment was attributed to the deterioration of the quality of work in the former.

However, respondents who quit formal wage employment before 2010 reported statistically significant better improvements in multidimensional well-being (see asterisked *p* values of variables in Table 5 below) as self-employed informal workers compared to those who left after 2010.



Furthermore, a principal component analysis (PCA) was conducted to ascertain the clustering of the 12 measured well-being variables in Table 5 below. An inspection of the correlation matrix, the overall Kaiser-Meyer-Olkin (KMO) measure of 0.748, considered good enough according to Kaiser (1974: 35) and a statistically significant Bartlett's test of sphericity,  $p < .001$  provided justification for conducting a PCA. The analysis revealed that four components had eigenvalues above one and explained 30, 14, 13, and 12 percent, respectively, of the total variance of 69 percent. The varimax orthogonal rotation was used to achieve a simple structure and aid the interpretation of the results.

**Table 5 Well-being Assessments in Self-employment and Formal Employment Versus Period of Exit**

Well-being Indicators	Before 2010				After 2010				T-Test Results		
	N	M	SD	SEM	N	M	SD	SEM	t	df	p
Work-life balance/Flexibility in the use of time	31	1.00	0.00	0.00	69	0.90	0.30	0.04	1.85	98	0.03**
Ability to take personal initiatives	31	0.97	0.18	0.03	69	0.88	0.32	0.04	1.35	98	0.09*
Status mobility/enhancement opportunity	31	0.97	0.18	0.03	68	0.94	0.24	0.03	0.54	98	0.29
Savings	31	0.97	0.18	0.03	69	0.83	0.38	0.05	1.97	98	0.03**
Income	31	1.00	0.00	0.00	69	0.86	0.35	0.04	2.27	98	0.01**
Participation in social and cultural activities	31	0.97	0.18	0.03	69	0.87	0.34	0.04	1.52	98	0.07*
Assets ownership	31	0.94	0.25	0.04	68	0.86	0.35	0.04	1.14	98	0.13
Coping with child care	31	0.77	0.43	0.08	59	0.84	0.37	0.04	-0.79	98	0.79
Training/further study	31	0.68	0.48	0.09	68	0.75	0.43	0.05	-0.79	98	0.78
Choice of neighborhood/residence/housing	31	1.00	0.00	0.00	68	0.81	0.39	0.05	2.66	98	0.00**
Household consumption	31	1.00	0.00	0.00	68	0.84	0.37	0.04	2.40	98	0.00**
Protection from vulnerabilities/risks/ management of risk	31	0.97	0.18	0.03	69	0.84	0.37	0.04	1.82	98	0.04**

Notes: 1. \*\*\* Statistical Significance at  $p < 0.01$ , \*\*  $< 0.05$  and \*  $< 0.1$ , respectively.

2. N=Number of Observations; M=Mean; SD=Standard Deviation; SEM=Standard Error of Mean; df=Degrees of Freedom.

Source: Fieldwork 2017

The interpretation of the data aligned with the well-being attributes that the questionnaire was intended to measure with strong loadings on income and the socio-economic security that it provides, greater control of time, and expanded decisional latitude, as well as improved social mobility and social participation prospects. The component loadings and communalities are presented in Table 6 below.

In view of the above, a composite well-being index was derived as follows:  $(\text{fac1} \times 0.2976) + (\text{fac2} \times 0.1351) + (\text{fac3} \times 0.1314) + (\text{fac4} \times 0.1248)$ . This index was subsequently used to conduct a multiple regression analysis to predict well-being from selected explanatory variables (see Table 7 below). The regression model statistically significantly explained 22 percent of well-being improvement in self-employment,  $F(12, 70) = 2.92$ ,  $p = 0.0025$ , with  $R^2 = 0.334$ . The analysis also showed that respondents who quit formal employment before 2010 reported a statistically significant

**Table 6 Principal Component Analysis with Varimax Rotated  
Structure Matrix Showing Components' Coefficients**

Variables	Coefficients of Rotated Components				Communalities
	Factor 1	Factor 2	Factor 3	Factor 4	
Income	<b>0.77</b>	0.46	-0.01	-0.02	0.81
Work-life balance/Flexibility in the use of time	0.18	<b>0.87</b>	-0.01	0.15	0.81
Ability to take personal initiatives	0.11	0.07	<b>0.76</b>	0.11	0.60
Status mobility/enhancement opportunity	0.46	0.46	<b>0.50</b>	-0.24	0.73
Savings	<b>0.82</b>	0.31	0.18	-0.02	0.81
Participation in social and cultural activities	0.36	0.27	-0.33	<b>0.60</b>	0.67
Assets ownership	0.39	-0.30	<b>0.56</b>	0.40	0.71
Coping with child care	0.03	-0.03	0.16	<b>0.66</b>	0.47
Training/further study	0.06	0.39	0.36	0.48	0.52
Choice of neighborhood/residence/housing	<b>0.75</b>	-0.09	0.37	0.13	0.73
Household consumption	<b>0.90</b>	0.02	0.04	0.20	0.84
Protection from vulnerabilities & management of risk	<b>0.63</b>	0.12	0.12	0.40	0.58
Eigenvalues	3.57	1.62	1.58	1.50	
% of variance	0.30	0.14	0.13	0.12	

Note: Only factor loadings  $\geq 0.5$  are considered significant and highlighted.  
Source: Fieldwork 2017

well-being return of 22 percent ( $p=0.020$ ) above their counterparts who left after 2010. Several factors may explain this difference. First, respondents who transitioned before 2010 perhaps reaped positively from the remarkable growth of the Nigerian economy, which averaged 9.8 percent between 2001 and 2008 (Saget and Yao 2011: 75). The period was marked by intensive economic reforms geared towards cost-efficiency in the public sector and privatization of state-owned enterprises, which created opportunities for many new businesses, especially outsourcing in both public and private enterprises (see Treichel Ed. 2010: 14).

Second, these respondents probably gained more industry-specific enterprise stability, as well as human and asset-based capital to cope with the economic slump arising from the 2008 global financial turbulence compared to the relatively new entrants into self-employment after 2010. Indeed, the global financial crisis contributed to the crash of Nigeria's GDP from 6 percent in 2008 to only 3 percent in 2009 (see Saget and Yao 2011: 75), eventually resulting in the economic recession of 2016, which contracted the demands for goods and services (NBS 2017: 1). Respondents whose enterprises depended on imported inputs were mostly affected, as the prices of crude oil collapsed, contributing significantly to the scarcity of foreign exchange needed for imports.

Moreover, the uncertainties generated by the electioneering campaigns preceding the 2015 general elections and the post-election policy indifference of the newly elected President Muhammadu Buhari's administration were believed to have had adverse effects on the economy and enterprises' profitability. Finally, the government's anti-corruption campaigns and stricter financial regulatory

reforms geared towards checking corruption, especially the introduction of the treasury single account for all federal ministries, departments and agencies may have curtailed the flow of illicit funds and resources that hitherto find their way into informal economic activities through patronage politics (see Onuba 2018).

Table 7 below indicates that although the period of exit from formal employment, gender, marital status, and education had positive effects on well-being, only the period of exit from formal wage employment and education were statistically significant. Remarkably, longer years in formal employment seemed to be a negative predictor of well-being in self-employment, although the result was not statistically significant, possibly because workers transitioning to self-employment expect

**Table 7 Summary of Multiple Regression Analysis on Variables Predicting Well-being in Self-employment**

<b>Variables</b>	<b>B</b>	<b>SE</b>	<b><math>\beta</math></b>	<b>t</b>	<b>P</b>
<b>Intercept</b>	-1.11	0.64			
<b>Period of Exit from Formal Employment</b>	0.22	0.09	0.26	2.37	0.020**
<b>Sector of Formal Employment</b>	-0.01	0.08	-0.01	0.05	0.93
<b>Gender</b>	0.04	0.09	0.01	-0.28	0.96
<b>Marital Status</b>	0.61	0.38	0.18	1.60	0.11
<b>Education</b>	0.10	0.05	0.22	2.02	0.047**
<b>Family Size</b>	-0.03	0.06	-0.06	-0.54	0.59
<b>Number of Children</b>	0.06	0.05	0.16	1.24	0.22
<b>Years in Formal Employment</b>					
3-5 Years	0.07	0.39	0.04	0.18	0.86
6-10 Years	0.00	0.36	0.01	0.01	0.99
11-15 Years	-0.29	0.36	-0.35	-0.82	0.42
16 - 20 Years	-0.47	0.38	-0.40	-1.26	0.21
Over 20 Years	-0.20	0.37	-0.02	-0.05	0.96

Source: Fieldwork 2017

low returns to longer years in formal employment (Moore and Mueller 2002). Respondents who quit formal employment after 2010 reported slightly higher average years (M=14.9, SD=1.57) of schooling while leaving formal employment than those who exited before 2010 (M=14.4, SD=2.29),  $t(98) = -1.55, p = 0.001, d = 0.30$ . However, the contribution of education to the well-being of the latter group was more significant statistically ( $p < 0.05$ ), explaining 10 percent of improvement. This suggests that the returns to education in self-employment may be affected by variation in social, economic, and political contexts. For example, following the privatization of the telecommunication industry in Nigeria in 2001 (see Treichel Ed. 2010: 14), the repair of ICT appliances, including laptops, phones and other accessories were dominated by engineering or computer science graduates who were able to charge premium prices. However, increased unemployment and the need for survival in recent years have seen many workers with lower education saturate the market, forcing prices down.

## 8. Conclusion

This paper has argued that voluntary transition from formal wage employment to informal self-employment is indeed associated with workers' well-being improvement. While this represents a deviation from the norm in Nigeria, it does highlight the contradictions in Nigeria's formal employment that makes voluntary exit to informal self-employment a better alternative for bolstering the socio-economic security of some workers. This calls into question the assumption that voluntary exit is an exclusive preserve of workers in developed and more advanced developing countries (see Kucera and Roncolato 2008; Margolis 2014). The key message of this study is that changing social, economic, and political contexts may interact with the timing of voluntary transition and post-transitioning education to produce different well-being outcomes for workers.

Understanding the influence of transition timing on well-being is important because workers lured into informal employment during periods of economic boom might need to re-adjust their expectations or seek alternative employment during periods of recession. The literature on informal employment documents that economic instability correlates with necessity-driven informality, as many formal employees are rationed out of their jobs. However, we do not know much about how workers who voluntarily quit formal wage employment for informal self-employment respond to economic instability, although evidence suggests that their business profitability prospects and well-being may be adversely affected (Diamond and Schaefer 2013). Do they consider going back to formal employment given their human capital endowments or remain in informal self-employment? This calls for further studies to isolate entrepreneurs whose enterprises may fail due to changes in the social, economic, and political dynamics of society from those that fit the conventional stereotype of low managerial capacity.

Finally, this study found that although the quality of training and experience received in formal wage employment was significant, longer duration in self-employment rather than formal wage employment seemed a better predictor of workers' well-being. This suggests that enterprise management training/experiences may better strengthen the link between formal employment experiences and well-being.

## Notes

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1 Dollar equivalents in this paragraph are based on USD\$1=₦157 official exchange rate on 03/01/2012 stipulated by the Central Bank of Nigeria-<https://www.cbn.gov.ng/rates/ExchangeArchives.asp>.

- 2 ₦78 Billion, but dollar equivalent is based on USD\$1=₦306 official exchange rate on 29/09/2017 stipulated by the Central Bank of Nigeria-<https://www.cbn.gov.ng/rates/ExchangeArchives.asp>.
- 3 Worked in a private mechanical engineering company as a site supervisor for 15 years before resigning to set-up his enterprise in the same industry in 1991.
- 4 Worked in a private microfinance bank as a marketer for four years before resigning to establish a laundry and dry cleaning enterprise in 2012.
- 5 Amounts to USD\$3, 270 at USD\$1=₦306 on 29/09/2017.
- 6 Worked in a construction company for 25 years and rose to the position of a general manager before quitting to set up his enterprise, selling building materials and telecommunication appliances.
- 7 Clothes, shoes, and bags bought to express solidarity with colleagues during funerals, weddings of family members, and other socio-cultural events.
- 8 A widow with two children who previously worked in a multinational oil company for seven years before resigning following difficulty in combining family responsibilities with work after her spouse died. She now sells beverages in wholesale and retail quantities.
- 9 Had 14 years' formal experience in a multinational company as a technician in charge of repair and servicing of generating set and other electrical equipment before quitting to establish an electrical/electronic sales and repair shop.
- 10 Previously worked in a multinational telecommunication company as a managerial level switching engineer before resigning to establish a telecommunication infrastructure installation and repair enterprise.

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### Appendix 1: Summary Statistics

Gender	% Years Spent in Formal Employment	% Years Spent in Self-employment	% Sector of Previous Employment	%	Period of Exit from Formal Employment	%
Male	58 6Months-2 Years	1 6Months-2 Years	27 Private	53	1990-1994	1
Female	2 3-5 Years	11 3-5 Years	7 Public (State)	29	1995-1999	2
Age (Years)	% 6-10 Years	41 6-10 Years	21 Public (Federal)	18	2000-2004	12
Below 20	1 11-15 Years	27 11-15 Years	7 Location of Enterprises	%	2005-2009	16
21-30	6 16-20 Years	10 16-20 Years	7 Apapa	13	2010-2014	35
31-40	45 Over 21 Years	10 Over 21 Years	1 Ikeja	53	2015-2017	34
41-50	33 Education While Leaving Formal Employment	% Kinds of Enterprises Undertaken 1	% Ilupeju	15		
51-60	13 Completed Junior Secondary School	2 Retail Trading	38 Lagos Island	19		
Above 60	2 Completed Senior Secondary School	17 Education/Training/Consultancy	15 Kinds of Enterprises Undertaken 2	Male %	Female %	
Marital Status	% Completed Diploma/OND/NCE	25 Wholesale Trading	13 Retail Trading	17	21	
Married	83 Completed B.A.B.Sc/HND	52 Hospitality	9 Education/Training/Consultancy	12	3	
Single	16 Completed Postgraduate Education	4 Beauty Shops	9 Wholesale Trading	5	8	
Separated	1 Education While in Self-employment	% Equipment Repair	4 Hospitality	6	3	
Household Size	% Completed Senior Secondary School	2 Manufacturing	3 Beauty Shops	3	6	
single Household	10 Completed Diploma/OND/NCE	12 Agriculture (Animal farming)	3 Equipment Repair	4	0	
Family Household (2 Persons)	9 Completed B.A.B.Sc/HND	23 Construction/Engineering Work	3 Manufacturing	3	0	
Family Household (3-4 Persons)	49 Completed Postgraduate Education	63 Others (Car Hire Services, Courier etc)	3 Agriculture (Animal farming)	3	0	
Family Household (5-6 Persons)	28		Construction/Engineering Work	3	0	
Family Household (7 Persons and Above)	1		Others (Car Hire Services, Courier etc)	2	1	
Missing	3					

Source: Fieldwork 2017