

Characteristics of the Workers in the Urban Informal Sector of Pakistan

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I. INTRODUCTION

The informal sector is widely considered as a crucial segment of the economy, whose mere presence convince the policy-makers to reorient the development strategy to promote jobs and equity. Accordingly, there is a need to formulate such policies to move from active discrimination against and discouragement of informal activities towards their promotion and encouragement. Although, of late the informal sector has assumed importance in public policy statements but unfortunately very little is known about the informal sector which is considered as an efficient user of physical capital employing proportionately more un-paid family helpers, producer/supplier of such goods/services where economies-of-scale notion usually do not apply, encompasses flexibility and possesses a decentralized character. Lack of information about this sector is primarily due to the very nature of its very character.

The informal sector is usually characterized as the one with having vast and heterogeneous array of family-based petty trades and casual labour activities with relative ease of entry, unregistered enterprises, reliance on indigenous resources, temporary or variable structure, does not observe fixed hours of operation, skills acquired outside the formal training institution, does not depend on formal financial institutions, and adapt technology.¹

To understand the development-oriented and job-promoting character of the informal sector, it is essential to take a detailed account of the characteristics of self-employed who manage this sector. A study of the characteristics of self-employed would help us to know the factors, which influence an individual's choice to open

¹For further details see, ILO (1972), Sethuraman (1981) and Mahmood

up an enterprise in the informal sector. The knowledge of these factors would enable, in turn, the government to chalk out a programme to prepare people who would assume the role of entrepreneur in the informal sector. To achieve this objective the focus of the present study is on such characteristics of self-employed, as age, size of the household, education, skill acquisition, family background, experience and job preference.²

II. REVIEW OF THE LITERATURE

Quite a few studies have already been done on the informal sector in Pakistan. These include, among others, Aftab (1990), Ahmad and Arshad (1990), Burki (1990), Chaudhary (1990), Ferks, Thomas and Tomesen (1989), Guisinger and Irfan (1980), Kazi (1987), Kemal and Mahmood (1993), Kibria (1990), Mahmood (1990) and Nadvi (1990). These studies examine various aspects of the informal sector in Pakistan including wage rates, labour productivity, capital-intensity, skill development and constraints on the growth of small units. While these studies are quite useful in the sense that they bring out the main characteristics of informal sector activities and constraints on their growth, yet because they have been done in isolation from each other and are based on small sample surveys, they often come up with conflicting evidence and contradictory policy suggestions which reduce the utility of their findings.

The differences in the focus, methodology, survey design, coverage and quality of the analysis presented in various studies have provided conflicting evidence. The present study is based on a comprehensive survey of the urban informal sector, conducted in 1992, with a view to examining various aspects of the informal sector.

III. DATA

Since the informal sector comprises of heterogeneous

²In this paper we concentrate only on the self-employed instead of total labour force because the focus of the survey was on self-employed and as such it is not possible to study in detail the rest of the employed labour.

activities, the sample has been drawn in such a way that it is representative in terms of both the production activities and the geographic distribution.³ Given the limited resources, either we could have selected a small number of activities with relatively larger number of firms in each of the activity or we could have selected a fairly large number of activities in the informal sector. Since our interest lies in the major sectors of production it seems more appropriate that a large number of activities would be more representative of the informal sector. Therefore, the latter sampling method has been adopted. We have selected 11 major cities from the four provinces, which have quite large informal sectors. The sample included nine hundred units from Punjab, four hundred from Sindh and one hundred each from N.W.F.P. and Balochistan.⁴

With a view to making the survey representative of economic activities in the informal sector, four major economic sectors, viz. manufacturing, trade, transport, and services have been distinguished. Number of enterprises in each sector has been determined by taking into consideration the relative importance of each sector in the GDP and employment and the heterogeneity of the economic activity within the sector. Since both in terms of technology and the environment, heterogeneity has been the maximum in manufacturing sector, it has been accorded maximum weight in the sample. The sample is subdivided in the following proportions:⁵

1. Manufacturing 50 percent
2. Trade 15 percent

³Further details about the data and conduct of the survey can be seen in Kemal and Mahmood (1993).

⁴The sample distribution by cities is, Rawalpindi/Islamabad=150, Lahore=200, Gujranwala=150, Sialkot=100, Faisalabad=200, Multan=100, Karachi=200, Hyderabad=100, Sukkur=100, Quetta=100, Peshawar=100.

⁵It was also ensured that the female-headed households are given due representation in the survey and as such 10 percent of the total manufacturing enterprises headed by females have been covered in the sample. Whereas female-headed households have also participated in other activities, the sample included only the households engaged in manufacturing because otherwise the sample would have had been very thinly distributed for any meaningful analysis.

- | | |
|--------------|------------|
| 3. Transport | 15 percent |
| 4. Services | 20 percent |

With a view to ensuring that important activities in each sector are duly represented in the sample, the nature of economic activities in the informal sector and clusters of manufacturing, trade, and service activities in each city were ascertained in consultation with the local labour department and the sample was drawn in approximate proportion to the economic activities in the area.⁶

IV. CHARACTERISTICS OF SELF-EMPLOYED IN THE INFORMAL SECTOR

Various factors, both economic and non-economic, influence self-employee's⁷ choice to set up a business enterprise. The characteristics of self-employed such as age, size of the household, education, skill acquisition, experience, family background, job preference, etc., play a crucial role in the choice of profession.⁸

(a) Age

Age of the entrepreneur underlies some of the factors influencing entrepreneur's decision to join the informal sector. If there are only relatively younger entrepreneurs in the informal sector, then the informal sector may be taken as a transitional activity prior to the entry into the formal sector. Conversely, the informal sector may be taken as a permanent and preferred choice if the relatively older persons form a significant proportion of the entrepreneurs in the informal sector.

⁶ The survey of 1500 units was carried out in the sampled proportions. However, certain questionnaires were left out of the analysis because either the data were incomplete or they were faulty. Therefore, the analysis presented in this paper relates only to 1417 units distributed over the four activities.

⁷ In this paper self-employed in the informal sector also include employers.

⁸ As compared with the share of self-employed working in the informal sector of Pakistan (37.4 percent in 1992), the corresponding share was 55 percent in Bangladesh (1979), 43 percent in Colombia (1984) and 48.8 percent in Mexico (1987). [See, Charmes (1990)].

The ages of the entrepreneurs in the informal sector range between 15 and 64 years with an average age of 35 years (see Table 1). As many as 98 percent of the entrepreneurs had the age between 20 and 64 years, 64 percent lie in the age group of 20 to 39 years, and 34 percent in the age group of 40 years and above. The age distribution of entrepreneurs suggests that while some persons may enter the informal sector at a relatively younger age and remain there so long as they do not get a job in the formal sector, a substantial proportion of the self-employed take it as a permanent activity.

Table 1

Percentage Distribution of Self-employed by Age Groups

	Aver.											
	Age	11-14	15-19	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60+
Manufacturing	37	0	1.1	9.4	17.4	18.2	17.5	11.5	8.2	7.7	3.7	5.3
Services	35	0.3	2.3	15.6	17.9	15.9	18.3	9.3	6.0	4.3	5.6	4.3
Trade	36	0	4.0	9.7	19.9	17.7	15.0	11.5	6.2	5.8	2.2	8.0
Transport	35	0	4.0	10.2	17.3	20.0	15.6	10.7	8.9	6.7	1.3	5.3
Total	36	0.1	2.2	10.9	17.9	17.9	17.0	10.9	7.6	6.5	3.5	5.5

The average age of the entrepreneurs in the manufacturing sector turns out to be 37 years,⁹ while the average age in services, trade and transport sectors, respectively, are 35, 36 and 35 (see Table 1). While the age of entrepreneurs ranged between 15 and 64, the very young in the age group of 15-19 years and the older entrepreneurs of 60 years or more accounted for very small proportion of total entrepreneurs in the manufacturing sector. Which again points out of permanency in the choice of their profession.

In other three sectors of the informal sector around 90 percent of entrepreneurs also consider their present profession as permanent. Nevertheless, the manufacturing sector entrepreneur leads all other

⁹As compared with male self-employed relatively younger female self-employed join the informal sector. The average age of the female self-employed in the informal sector, however, is 36.2 years.

Table 2

Percentage Age Distribution of Self-employed in the Informal Sector, Labour Force and Head of Household

Age Group (1)	Informal Sector (2)	Labour Force (3)	Heads of Household (4)
11-14	0.1	8.0	0.6
15-19	2.0	12.1	0.7
20-24	11.2	13.4	3.3
25-29	17.7	12.3	8.9
30-34	17.7	9.9	11.9
35-39	17.2	9.8	13.4
40-44	10.8	7.8	13.7
45-49	6.7	8.1	12.5
50-54	6.3	6.7	10.9
55-59	5.2	7.9	7.4
59 +	5.1	4.0	17.2

Source: Column (3) is based on the Labour Force Survey, 1986-87 and Column (4) on the Household Income and Expenditure Survey, 1987-88.

sectors while viewing permanency in their jobs, while the trade sector is slightly on the lower side in comparison with all other sectors.

The relationship between age of the entrepreneur and entrepreneurship can be better understood by comparing the age distribution of the heads of informal sector establishments with that of the age distribution of total labour force in Pakistan and that of the head of the households. Such a comparison reveals that the age groups of 25-44 account for 63.4 percent of the self-employed in the informal sector, while the same age group accounted for 52 percent of all the households in the country and only 39.8 percent of the labour force. (See Table 2.) The relatively higher proportion of younger heads of households in the informal sector than in the total households and the labour force suggests that at very early ages, individuals try for a job in the formal sector but some of them due to frustration of being under- or un-employed and others after gaining the necessary experience and saving some money quit the formal sector and try to set up their own businesses in the informal sector.¹⁰

¹⁰The inference is also supported by the data on Sources of Finance. (See the proceeding analysis on sources of finance).

However, only the successful heads of establishments continue with the informal sector while the others try to seek the job as wage employees in the informal or the formal sector. On the other hand, very successful entrepreneurs make a graduation to medium- and large-sized firms and thus move out of the informal sector.

(b) Size of the Household

Size of the household is usually considered as an indicator of dependents on the head of household. In the present context it, however, reflect the supply of the labour in the form of family helpers, to the family enterprise. These family members who usually provide services to the family enterprise, are also the ones who are comprised of a large proportion of shagirds in the informal apprenticeship system.

Average size of the household in the informal sector is higher than the average size of the household in the urban areas of Pakistan; 7.02 persons per household in the informal sector compared to 6.66 persons per household in the urban area of the country [see Table 3 and Household Income and Expenditure Survey (1986-87)].¹¹ The average size of the households in the informal sector has been the largest in the manufacturing sector with 7.25 persons per household. The size of the household in services, trade and transport sectors has been 6.66, 6.92 and 6.88 persons respectively.

Table 4 report the distribution of entrepreneurs by family size. It can be seen from the table that about 15 percent of

Table 3

Average Size of the Family in the Informal Sector

	Family Size
Manufacturing	7.25
Services	6.66
Trade	6.92
Transport	6.88
Total	7.02

¹¹Interestingly, size of the household to which the female entrepreneurs belong is 6.71.

Table 4

*Percentage Distribution of Entrepreneurs in the Informal
Sector by Family Size*

	Average Number of Persons in the Household									
	1	2	3	4	5	6	7	8	9	10+
Manufacturing										
Services	4.3	3.3	2.0	9.0	13.3	17.6	15.0	10.3	13.0	12.2
Trade	1.0	2.2	4.9	8.4	13.3	18.2	18.7	10.2	9.3	13.8
Transport	2.6	1.8	7.1	8.0	11.2	11.6	16.1	14.3	12.1	15.2
Total	2.3	2.5	4.6	8.3	12.2	15.4	15.8	12.6	11.2	15.1

entrepreneurs had four or less members. About 3 percent entrepreneurs had only one person—unmarried young persons working in the urban areas. On the other hand more than 40 percent of entrepreneurs had large families with eight or more members. It may also be noted that the household size in manufacturing enterprises exceeds the average size of households in urban areas of the country which suggests that the manufacturers tend to have larger families as family helpers are a cheap source of labour which can be effectively utilized to increase profits.

(c) Education Level

The most important form of the human capital is investment in schooling. Quality of entrepreneurship and labour—major determinants of the labour productivity—depends to a large extent on the investment in human capital in the form of education and training. Schooling affects labour productivity in a multitude of ways—communication, skills, occupation-specific instruction, etc.

It is quite encouraging to note that most of the entrepreneurs, as many as 81 percent, are educated¹² (see Table 5). These results¹³ contrast sharply with the results of Labour Force Survey which

¹²An educated person means that he/she possesses an education of at least primary level.

¹³As compared to this it was found that over 96.2 percent of entrepreneurs in Cameroon (1978), 76.2 percent in Mauritania (1977) and 72.3 percent in Togo (1977), while only 21 percent in Djibouti (1982) have been educated [see, Charmes (1990)].

Table 5

*Percentage Distribution of Entrepreneurs by Education
in the Informal Sector*

Manufacturing	24.0	76.0
Services	20.9	79.1
Trade	17.9	82.1
Transport	1.5	98.5
Total	19.3	80.7

suggest that 58.6 percent of the labour force in urban areas is educated.¹⁴ Nevertheless, the results do reveal that the educated persons tend to set up their own businesses more readily than those who do not have any education.

The share of uneducated entrepreneurs is the lowest in the transport sector, i.e. 1.5 percent. The proportion of uneducated entrepreneurs in the manufacturing, services and trade sector has been 24.0, 20.9 and 17.9 percent respectively. The lowest proportion of uneducated entrepreneurs reflect the fact that in this sector the entrepreneurs only do managerial work and hence their entry is relatively easy in the sector.

The distribution of entrepreneurs by level of formal education shows a very interesting pattern (see Table 6). With the exception of the transport sector where the entrepreneurs had education only upto the secondary level, some entrepreneurs in the other sectors had even the Post-graduate degrees. Nevertheless, most of the entrepreneurs had only primary or secondary education.

In general, there is a parabolic distribution of entrepreneurs across various education levels, i.e. with the increase in the education level, the proportion of entrepreneurs goes down.

In the manufacturing sector, 77 percent of entrepreneurs are educated (see Table 5).¹⁵ Most of them, however, had education

¹⁴It may be pointed out that the difference arises because the labour force survey data refer to the entire labour force, while the results reported above refer only to the self-employed.

¹⁵The proportion of educated female entrepreneurs is much lower than the total self-employed in the informal sector, i.e. 51.43 percent.

only upto primary or the secondary level (see Table 6).

As many as 76.1 percent of entrepreneurs in the services sector are educated (see Table 5) but mostly had education upto primary or secondary level only (see Table 6). In the trade sector, 85 percent of the self-employed are educated. As in the manufacturing and services sector, an overwhelming proportion of the self-employed in the trade sector also had education upto primary or the secondary level. Interestingly, almost all the transporters have at least some education (see Table 5) but none of them had education beyond the secondary level (see Table 6). In general, the transporters had been educated to a level lower than the secondary level of education. The remaining transporters had the secondary level of education.

Table 6
*Percentage Distribution of Entrepreneurs with
Different Education Levels*

	Primary/Middle	Secondary	Intermediate	Graduate	Post- Graduate
Manufacturing	33.93	22.16	11.6	6.70	2.87
Services	32.23	24.92	8.64	5.32	4.32
Trade	30.53	29.20	14.6	6.64	3.10
Transport	60.0	39.56	0.0	0.0	0.0
Total	37.02	26.43	9.71	5.39	2.76

(d) Skill Acquisition

The initial education level is only a poor indication of the skills of an entrepreneur. Virtually none of the entrepreneurs enter the job market with sufficient knowledge to perform a job as efficiently as an experienced entrepreneur and is, thus, generally deduced that most of them acquire their training on the job. Each firm has its own special way of doing business/production that requires firm-specific training¹⁶ to perform the job properly. It is thus

¹⁶Training, in general, is of two kinds viz. formal training and informal training. The later can be distinguished from the former in the sense that a great bulk of investment in job training is informal rather than well-defined formal training.

necessary to gain productivity-enhancing occupation-specific knowledge that is, particularly, acquired in the form of on the job training.

Now talking of the informal sector of Pakistan it would be interesting to examine whether the process of acquisition of skills took place within the informal sector or whether there was in any substantial way a transfer of skills from the modern to the informal sector.

It is encouraging to note that as many as 55 percent of entrepreneurs had some kind of training (see Table 7). Out of the

Table 7

Acquisition of Formal and Informal Training by the Entrepreneurs

	Without Training	Formal Training	Informal Training
Manufacturing	31.6	3.1	65.3
Services	28.5	7.0	64.5
Trade	75.7	6.2	18.1
Transport	77.8	5.3	16.9
Total	44.7	4.7	50.6

skilled entrepreneurs 92 percent had acquired their skills through apprenticeship in the informal sector.¹⁷

As many as 68.4 percent of entrepreneurs engaged in the manufacturing activities had some kind of training. However, even more important is the fact that as many as one-third entrepreneurs had no training.¹⁸

It is interesting to note that while the proportion of trained entrepreneurs in the manufacturing sector is second only to the services sector, the proportion of those entrepreneurs having formal

¹⁷As compared to the proportion of workers acquiring skills through informal training arrangement in Pakistan, 87.2 percent of workers in the French-speaking Africa acquired skills through apprenticeship in the informal sector. [See, Charnes (1990)].

¹⁸About 69 percent of female entrepreneurs had acquired skills but only through Ustad/Shagird (master/trainee) system.

training is the least in the manufacturing sector. The reason cited by the entrepreneurs is that they usually do not acquire the desired kind of training from formal institutions, consequently they prefer having informal training. The proportion of entrepreneurs who had some kind of training is maximum in the services sector, i.e. 71.5 percent. Similarly, the proportion of entrepreneurs having formal training is much higher in the services sector compared with the manufacturing sector. Nearly three-fourth of entrepreneurs in the trade sector did not acquire any training, this is because the traders hardly require any training, besides, and there is no trade-related formal or informal training institution. Only a quarter of the entrepreneurs in the transport sector had any kind of training. Majority of transporters reported that they do not need any training for their present profession, however, most of those acquired any training think that their present profession is not according to their training.

With the exception of entrepreneurs working in the trade sector, majority of the entrepreneurs engaged in other sectors reported that their job is according to the training they had acquired. About 73 percent of entrepreneurs reported that they have training suitable to their present business.

Self-employed who had the formal training may be distinguished on the basis of the kind of institution they had attended, viz. technical, vocational, polytechnic and other institutions. The most important source of formal training has been the technical schools accounting for 33.3 percent of the entrepreneurs acquiring formal training (see Table 8). As many as

Table 8

Percentage Distribution of Entrepreneurs by Acquisition of Training from Different Formal Training Institutions, in the Informal Sector

	Technical	Vocational	Polytechnic	Others
Manufacturing	39.13	17.4	17.39	26.09
Services	21.05	26.3	26.32	26.32
Trade	42.86	21.4	7.14	28.57
Transport	27.27	36.4	9.09	27.27
Total	32.58	25.38	14.99	27.05

26.6 percent of such entrepreneurs who had formal training attended 'other institutions' in the private and the public sectors. Vocational institutes and polytechnic institutes turned out relatively less important sources of training: 22.4 percent of entrepreneurs had training from vocational and 17.7 percent entrepreneurs acquired training from polytechnics.

In the manufacturing sector, majority of entrepreneurs had attended technical schools followed by the institutions characterized as 'other institutions', vocational and polytechnic institutes (see Table 8). In the services sector, distribution of entrepreneurs across various types of training is fairly even, i.e. 26.3 percent each in cases of vocational, polytechnic and other diplomas, and 21.1 percent in case of technical training. In the trade sector, 42.9 percent of the entrepreneurs had acquired technical training, 28.6 percent had acquired 'other' diplomas, 21.4 percent acquired vocational training and only 7.1 percent obtained polytechnic training. In the transport sector 36.9 percent of the transporters acquired vocational training, 27.3 percent acquired technical training and an equal number of entrepreneurs acquired 'other' diplomas, and 9.1 percent acquired the polytechnic training.

Diploma-wise distribution shows that technical training was mostly acquired by traders, followed by manufacturers, transporters and services; vocational training was mostly acquired by transporters followed by services, traders and manufacturers; and polytechnic training was mostly acquired by services followed by manufacturers, transporters and traders. As pointed out earlier, the acquisition of skills does not mean that the entrepreneurs needed these skills. As a matter of fact the diploma holders unable to find suitable jobs may have turned to trading and transport sectors.

(e) Experience

There is a positive association between current labour productivity and the experience of an entrepreneur, that is experience give rise to dynamic economies-of-scale. On the

other hand, the development of certain skills requires both specialization and experience. With experience an entrepreneur not only learn new skills quickly but can also perfect the old ones. Thus the role of experience in enhancing productivity and perfecting skills can not be undermined.

Table 9 reports that as many as 41 percent entrepreneurs had less than 5 years, 69 percent had less than 10 years and more than 82 percent entrepreneurs had less than 15 years experience.¹⁹

Quite a significant proportion of the entrepreneurs had experience in other fields than the one they are operating now (see Table 10). Total experience of the entrepreneurs, on average, has been far in excess of the experience in the current business. Consequently, the proportion of entrepreneurs with total experience of less than five years falls to 18.8 percent compared to 41.3 percent if the experience in only the current business is taken into consideration. Almost 56 percent entrepreneurs had more than 10 years total experience. Many entrepreneurs had been operating two or even three other businesses before taking up the current business.

In the four cities of French-speaking Africa, almost 20 percent of small entrepreneurs in the informal production and services sector had previously worked in the agriculture. Over 38 percent of them said that they had worked in a modern enterprise immediately prior to taking up the informal sector activity, and 9 percent had worked in public administration; and thus 47 percent of small entrepreneurs had previously worked in the formal sector, a substantial figure which is further emphasized by the fact that 30 percent of them had spent more than one-quarter of their working life as wage employees. There is, however, no clearly established relationship between the previous job and the present activity, since only 10 percent of employers state that they learnt their trade by apprenticeship in the modern sector.

¹⁹Since the entrepreneurs have experience of more than one businesses, and that the enterprise may continue to exist despite the change in ownership, one may find the discrepancy in experience of entrepreneurs and the age of the firm.

Table 9

*Percentage Distribution of Entrepreneurs by Experience
in Current Profession*

Year	Manufacturing	Services	Trade	Transport	Total
1-5	44.5	44.1	46.60	29.8	41.3
6-10	27.4	24.1	25.21	32.4	27.3
11-15	14.3	12.8	11.73	16.4	13.8
16-20	6.3	5.9	9.65	12.0	8.5
21-25	4.8	5.2	1.97	4.0	4.0
26-30	1.1	4.0	3.40	3.1	2.9
31-35	0.74	2.5	0.43	1.3	1.2
36-40	0.32	-	-	0.4	0.1
41-45	0.21	-	-	-	-
46-50	-	-	-	-	-
51-55	-	-	-	-	-
56+	-	-	0.43	-	0.1

Table 10

Total Experience of Entrepreneurs

Year	Manufacturing	Services	Trade	Transport	Total
1-5	17.6	23.1	19.5	15.2	18.8
6-10	25.1	25.8	25.7	24.6	25.3
11-15	22.6	16.8	20.0	21.1	20.0
16-20	14.8	11.1	11.4	18.9	14.1
21-25	7.6	10.1	9.1	6.8	8.4
26-30	5.0	4.6	7.6	3.5	5.2
31-35	2.0	4.0	2.4	4.9	3.3
36-40	2.0	4.0	2.4	1.8	2.6
41-45	1.7	0.7	0.5	1.3	1.1
46-50	0.9	0.3	1.4	.9	0.9
51-55	0.4	-	-	.9	0.3
56+	0.1	-	-	-	0.1

In case of the manufacturing sector 27.9 percent entrepreneurs had a job elsewhere before taking up the current business, and 1.4 percent entrepreneurs started the current business as their third job. In the services sector 19.9 percent entrepreneurs had a job elsewhere before taking up the current business while 4.7 percent and 6.2

percent had two or three jobs prior to setting up the current business. Thirty six percent transporters had another and 3.1 percent of them had two other jobs prior to taking up the transport business. Entrepreneurs cited the reasons for changing their previous job/business: low rate of return in the previous business, lack of demand for the kind of product produced/sold in the previous business, preference for self-employment, mis-matching of skills, migration, and personal/family reasons.

(f) Job Preference

A rational investor allocates his/her resources to an activity where the expected rate of return is the maximum. An entrepreneur in the informal sector not only tries to maximize return on physical capital, but also on human capital. A self-employed person would be expected to establish the preferred business, which is suitable to his/her skills and is economically sound.

Due to various reasons, a large number of the self-employed cannot pursue the preferred business. As many as 42 percent of the self-employed could not take up the preferred job due to lack of physical capital. Other major reasons cited for not having the preferred job include non-availability of suitable premises, lack of raw materials, lack of suitable machinery, lack of technical workers, inadequate demand for the product and government regulations. Not surprisingly, government regulations are the least cited factor, which constrained them to take up the preferred jobs or to start a preferred business. It needs to be highlighted that non-intervention of the government has been the main factor giving rise to buoyancy of the informal sector.

With a few exceptions, all the reasons cited for not taking up the preferred job for the informal sector, in general, are also valid for the manufacturing, the services and the trade sector. In the services sector, however, relatively very few entrepreneurs complained about lack of raw materials. In the manufacturing sector, relatively few complained about the lack of demand, while relatively more traders complained about lack of demand.

In the transport sector very few transporters cited lack of capital as a reason for not having their preferred job/business. This is probably due to the practice that the transporters readily get vehicles on installment basis. Yet the fact that kerb rate of interest in the transport sector has been as high as 50 percent indicates the problem of the availability of credit in the sector. Non-availability of suitable premises, lack of technical workers, lack of suitable machinery and government regulations are given as major causes for not having the preferred job.

(g) Family Background

Family background of the entrepreneurs, especially the education and training of the father, not only helps in ascertaining the inter-generational occupational mobility but also helps in determining the growth potential of the informal sector. Whether the education level of the entrepreneur is the same as that of the father, Table 11 portrays the percentage distribution of entrepreneurs by education for a given level of father's education.

Broadly speaking only one-third of the entrepreneurs had the same level of education as that of their fathers, in other words, father's education level had not much influence on the education level of the children in two-thirds of the cases. (See diagonally Table 11). Interestingly enough, out of those entrepreneurs whose fathers acquired a post-graduate degree, none in the services and transport sectors, 10 percent in the manufacturing sector and 33.3 percent in the trade sector had acquired a post-graduate degree (see Table 11). Besides one-third in the trade and one-half entrepreneurs in the transport sector whose fathers had post-graduate degrees were illiterate.

At this stage it is pertinent to ask, whether improvements in education or retrogression in the education level determines the flow of entrepreneurs into the informal sector? To answer this question, we use diagonal and off-diagonal percentages of education matrices for four sectors reported in Table 11 and present them in Table 12.

Table 11

*Percentage Distribution of Entrepreneurs by Education Level
Corresponding to Father's Education Level*

Education Level of Entrepreneurs	Education Level of Entrepreneur's Father					
	Illiterate	Primary	Secondary	Intermediate	Graduate	Post-Graduate
Manufacturing						
Illiterate	30.5	17.5	8.5	5.6	—	—
Primary	41.9	32.2	14.9	0	17.6	0
Secondary	18.2	24.3	36.2	22.2	23.5	20.0
Intermediate	5.6	16.4	22.3	38.9	5.9	30.0
Graduate	2.2	7.9	12.8	16.7	41.2	40.0
Post-Graduate	1.7	1.7	5.3	16.7	11.8	10.0
Services						
Illiterate	36.3	—	12.5	—	6.7	—
Primary	36.3	—	20.0	16.7	—	—
Secondary	17.5	—	30.0	16.7	33.0	60.0
Intermediate	5.0	—	15.0	41.7	60.3	—
Graduate	5.0	—	5.0	—	—	40.0
Post-Graduate	—	—	17.5	25.0	—	—
Trade						
Illiterate	20.0	14.0	8.6	—	25.0	33.3
Primary	38.3	38.6	2.9	10.0	—	—
Secondary	28.7	24.5	37.1	30.0	50.0	—
Intermediate	8.7	10.5	40.0	30.0	—	—
Graduate	2.6	8.8	2.9	30.0	25.0	33.3
Post-Graduate	0.9	3.5	8.6	—	—	33.3
Transport						
Illiterate	48.2	15.4	14.3	25.0	33.3	50.0
Primary	29.0	26.4	14.3	—	33.3	50.0
Secondary	19.7	43.6	28.6	25.0	33.3	—
Intermediate	2.5	15.4	21.4	50.0	—	—
Post-Graduate	0.6	—	14.3	—	—	—
	—	—	7.1	—	—	—
Total						
Illiterate	33.53	15.25	9.84	4.55	14.81	4.35
Primary	37.88	33.33	13.66	6.82	18.52	8.70
Secondary	19.76	29.10	34.43	22.73	29.63	21.74
Intermediate	5.29	13.56	24.04	38.64	3.0	17.39
Graduate	2.47	6.50	9.29	13.64	29.63	34.78
Post-Graduate	1.07	2.26	8.74	13.62	3.71	13.04

There has been a significant improvements in the education status of those whose fathers were illiterate or had low levels of education, while there has been a major retrogression in case of those whose fathers had higher level of education, especially in the services and transport sectors (see Table 12). On balance, retrogression was observed in the education status of the informal sector, especially, in case of services and transport sectors, while there was virtually neither any improvement nor any deterioration in the average status of the entrepreneurs in manufacturing and trade sectors (see Table 13).

Table 12

*Improvement or Retrogression in Education and
Supply of Entrepreneurs in the Informal Sector*

(In percentage)

	Illiterate	Primary	Secondary	Intermediate	Graduate	Post-Graduate
Improvement in Status						
Manufacturing	69.5	50.3	40.4	33.4	11.8	0
Services	63.7	0	37.5	25.0	0	0
Trade	80.0	47.4	51.5	30.0	0	0
Transport	51.2	58.2	42.8	0	0	0
Total	66.5	51.4	42.1	27.3	3.7	0
No Changes in Status						
Manufacturing	30.5	32.2	36.2	38.9	41.2	10.0
Services	36.3	—	30.0	41.7	0	0
Trade	20.0	38.6	37.1	30.0	25.0	33.3
Transport	48.2	26.4	28.6	50.0	0	0
Total	33.5	33.3	34.4	38.6	29.6	13.0
Retrogression in Status						
Manufacturing	0	17.5	23.4	27.8	47.0	90.0
Services	0	—	32.5	33.4	100.0	100.0
Trade	0	14.0	11.5	40.0	75.0	66.7
Transport	0	15.4	28.6	50.0	100.0	100.0
Total	0	15.3	23.5	34.1	66.7	87.0

Source: Based on Table 11.

Table 13

Net Changes in the Education Status

Sector	Percentage of those whose status		
	Improved	Deteriorated	Net Change
Manufacturing	34.2	34.3	-0.1
Services	21.0	44.3	-23.3
Trade	34.8	34.5	0.3
Transport	25.4	49.0	-23.6
Total	31.8	37.8	-6.0

V. CONCLUDING REMARKS

The informal sector of Pakistan is both large and growing rapidly. Considering its potential in generating employment opportunities, the government intends to promote the informal sector. As a matter of fact, government has already announced 'Self Employment Scheme' to create employment opportunities. Preparation of realistic policies aimed at promoting the informal sector requires an in-depth knowledge of the basic characteristics of individuals who are going to set up enterprises in the informal sector. To pursue this objective the present paper has focussed on the study of basic characteristics of the self-employed. Main characteristics of self-employed have been summarized in the following:

- (i) Whereas some persons enter the informal sector at a relatively younger age and stay there as long as they do not get a job in the formal sector, a substantial proportion of the self-employed take it as a permanent activity. As a matter of fact a large number of the self-employed worked in the formal sector to accumulate savings before joining the informal sector.
- (ii) Contrary to the general impression that not many educated persons would join the informal sector, as many as 80

percent entrepreneurs in the informal sector had some formal education. As a matter of fact, more than half the workers had at least secondary education and about three percent of the self-employed in the informal sector even had the post-graduate degrees.

- (iii) Father's education seems to have played very little role in the education of the self-employed; only one-third of the entrepreneurs had the same level of education as that of their fathers. While there has been a significant improvement in the education level of the self-employed whose fathers were illiterate or had low levels of education, there has been a retrogression, i.e., children acquiring lesser education than acquired by the father, in case of those self-employed whose fathers were educated. On balance, retrogression was observed in the case of self-employed in the services and the transport sectors, while there was neither any improvement nor any retrogression in case of the entrepreneurs in the manufacturing and the transport sectors.
- (iv) More than half the self-employed had received some kind of training. However, most of the entrepreneurs received informal training in the form of Ustad-Shagird (Master-trainee); only a small proportion of entrepreneurs had received formal training. The Ustad-shagird system allows training facilities to all those who do not have sufficient funds to obtain formal training. At the same time Ustad gets a very low-paid worker who is willing to put as many hours as a regular worker does.
- (v) Quite a significant proportion of the entrepreneurs had experience in other fields than the one they are operating now (see Table 13). Total experience of the entrepreneurs, on average, has been far in excess of the experience in the current business.

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ABSTRACT

The urban informal sector of Pakistan is both large and growing rapidly, covering host of different activities. To understand the development-oriented and job-promoting character of the informal sector, it is useful to have knowledge about the characteristics of self-employed, who manage and promote this sector. This report analyses the basic characteristics of self-employed and the factors, which influence their decision to start an informal sector enterprise. The knowledge about the characteristics and the factors contributing in decision-making has been utilized by this report to suggest a set of policies to policy-makers who wants to work out a programme of self-employment promotion.

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