The Home as Workplace: Investigating Home Based Enterprises in Low Income Settlements of the Lagos Metropolis.

Taibat Lawanson, Department of Urban and Regional Planning, University of Lagos, Nigeria
David Olanrewaju, Department of Urban and Regional Planning, Federal University of Technology, Akure, Nigeria

1. Introduction

The urban informal sector is extremely important in developing countries where population and demand for jobs, goods and services are growing too quickly for the formal sector to cope with. Furthermore, informal sector employment is a necessary survival strategy especially in many countries that lack social safety nets such as unemployment insurance and effective pension schemes. (Yasmeen, 2001).

Part of what allows informal-sector businesses to keep operating is their use of personal and domestic assets, such as living quarters, vehicles, and furniture for their business (Todaro, 1978; Lipton, 1980). Home based enterprises (HBEs) are important in times when formal wages diminish or cease and enterprises are started in the only place available -the home. The advantages of HBEs include the ability to maintain an enterprise at little overhead cost; to make use of household resources, especially space and utility connections. Indeed, the home provides the ultimate environment for trading off resources between domestic and productive activities; to make effective use of time and money particularly by avoiding travel to work; to make effective use of social and human resources, particularly relatives and friends in the enterprises in exchange for small sums of money or benefits in kind; and to enable women to have productive work even in societies where their movement and social intercourse are restricted.

With 42% of Africa’s population residing in cities, 20% of GDP and 60% of urban labour force is in the informal sector (Yunusa, 2011). For Africa's urban poor populations, HBEs are an essential survival tool. HBEs provide work, income and services for so many people that they constitute an extremely important social and economic resource (Tipple, 2005). According to Chen et al (1999), the proportion of HBEs in all enterprises range from 54% to 77% in Sub-Saharan Africa. Bose (2001) estimates that home based enterprises constitute 67% of the informal economy in Kano and 61% of that of Lagos. Such findings underscore the conclusion that the small-scale, micro-enterprise currently represents the most rapidly expanding employment segment of the contemporary African urban economy.

Home based enterprises present a mixed bag of advantages and disadvantages. While promoting self-employment opportunities and helping to establish a close work-home relationship, HBEs also generally increase traffic and the movement of goods within residential areas. On one hand HBE facilitate the entrepreneurs, especially women to release their creative energy and earning potential together with privacy, on the other, HBE growth also endangers the sanctity of neighbourhoods, making them susceptible to crime and insecurity. While HBEs help in self-sustaining and self-financing development, they may also engender overstretched municipal services, environmental degradation, fire hazards and increasing noise pollution (Ogunbunmi, 2005).

This study investigates the nature and profile of Home Based Enterprises across low income settlements of the Lagos Metropolis. It attempts to determine how these survivalist enterprises thrive and the underlying framework for social and community development. It
also investigates the urban planning issues that arise from their activities and how these can be effectively addressed in a dynamic and constantly evolving urban sphere.

2. Overview of Study Area

The study is set in the Lagos Metropolis of Lagos state; South Western Nigeria. The study area comprises the 16 urban local government areas of Lagos State. They are Apapa, Ajeromi-Ifelodun, Alimosho, Agege, Ifako-Ijaiye, Ikeja, Somolu, Eti-Osa, Oshodi-Isolo, Amuwo-Odofin, Kosofe, Ojo, Mushin, Lagos Mainland, Lagos Island and Surulere Local Government Areas of Lagos State respectively.

The Lagos metropolis is a group of islands endowed with creeks and a lagoon. It comprises settlements that have grown from predominantly farming and fishing villages to highly urbanized settlements. The Lagos Metropolis, home to more than 75% of the population of Lagos state, accounts for more than one third (36.8%) of Nigeria’s urban residents. It is the most populous conurbation in Nigeria and currently estimated to be the second fastest growing city in Africa and seventh fastest in the world. With a population of over 10 million people and population density of 20,000 persons/sq km it is regarded as a mega city (Mabogunje, 2002).

Lagos has remained the country’s economic powerhouse, accounting for some 65% of Nigeria’s industrial infrastructure and contributing more than half of national economic development (Okunlola 2007). Commercial activities have always been very strong in the city and are carried out at both the formal and informal levels (Abiodun, 1997). However, Lagos is presently characterized by commercial ribbon street development such that virtually all residential areas are in a chaotic state with indiscriminate mix of commercial, light industry, transport and religious land uses (Oduwaye, 2005). Thus over 100 blighted areas have been identified thus far, making up about 70% of the entire land area (Omirin and Nubi, 2007). According to Davis (2006), Lagos is simply the biggest node in the shantytown corridor of 70 million people that stretches from Abidjan to Ibadan: probably the biggest continuous footprint of urban poverty on earth. UNDP (2008) estimates that 51% of men and 54% of women resident in Lagos survive on less than US$1 a day, The urban poor, who are dominant in Lagos, are transforming the city to meet their needs, often in conflict with official laws and plans. They are primarily engaged in informal economic activities, particularly home based enterprises. In fact, the Lagos State Government (2004) estimates that between 50% and 75% of the residents of the Lagos Metropolis are employed in the informal sector, hence the focus of this study.

3. Literature Review

Home based enterprises, also called Household enterprises or unincorporated enterprises owned by households are distinguished from corporations and quasi-corporations on the basis of their legal status and the type of accounts they hold. They are not constituted as separate legal entities independently of the household or of household members that own them, and no complete set of accounts are available which could permit a clear distinction between the production activities of the enterprises and the other activities of their owners (Charmes 2000). Participants in the informal sector are unable to separate economic life from such other aspects of social life as culture, religion, kinship and lineage.
Home-based income generation is carried out within a given dwelling and its broader physical context (Ghafur, 2001). The hierarchical arrangement of spaces that are used in home-based income generation includes: the dwelling (meaning a house); its courtyard; the lane or street (immediate to a given dwelling) abode; the broader neighbourhood and, the public urban spaces. For the purpose of this study, the focus is on the home-based activities undertaken in the first, second and third space hierarchies, because of their direct impact on the environment and the planning of the residential space.

The focus on the Home Based enterprise is particularly important, as it is the easiest type of informal enterprise to engage in. The use of personal and domestic assets, such as living quarters, vehicles, and furniture for income generating activities as well as the possibility of transitioning from survivalist to growth enterprises over a relatively short period are clear advantages (Todaro, 1978; Lipton, 1980). Rogerson (1996) identified the micro-enterprise economy in urban Africa as consisting of two categories of informal enterprise. They are the survivalist enterprises, which represent a set of activities, undertaken by people unable to secure regular wage employment or access to an economic sector of their choice. The incomes generated from these enterprises fall short of minimum income standards and involve little capital investment, virtually no skills training, and only constrained opportunities for expansion into a viable business. Overall, poverty and the desperate attempt to survive are the prime defining features of these enterprises. Second are the growth enterprises, which are very small businesses, often, involving only the owner, some family members, and at most one to four paid employees. These enterprises usually lack all the trappings of formality, in terms of business licences, formal premises, operating permits, and accounting procedures, and most have only a limited capital base as well as rudimentary business skills among their operators.


The findings of Strassman (1986), Onyebueke (2000) and Okeke (2000), also conclude that the incidence of home-based enterprises is related to neighborhood characteristics. They argue that HBEs are more prevalent in low income neighborhoods than in the higher income ones. This view is supported by Lacqian (1983) who stated that a low income house and community are essentially multifunctional units. This study therefore investigates the nature and context of the informal enterprises in the low income residential neighbourhoods of the Lagos Metropolis.

4. Research Methodology

The survey research strategy is adopted for this research. The study population are Home Based Enterprises (HBEs) operators in low income settlements across the Lagos metropolis. Small scale businesses located in and adjacent to residential buildings with multiple trade, service and production enterprises were sampled. Administration of structured questionnaires was by simple random sampling. These were administered in order to obtain data on components of poverty and livelihood. Questionnaires were structured to collate information on economic conditions and quality of life; socio-economic and socio-cultural peculiarities, environment and housing conditions.

553 questionnaires were administered in 31 selected neighbourhoods in the 16 local government areas that make up the Lagos Metropolis. Disproportionate stratified random...
sampling technique was adopted. The choice of particular wards and sample units was based on the authors knowledge of their study area and reconnaissance survey. Neighbourhoods with a preponderance of home based enterprises as well as the multiplicity of home-based enterprises and the hierarchy of spaces in use for home-based enterprises were considered in order to ensure a normal distribution and as such a more reliable sample result. 394 questionnaires were retrieved and analysed. Data analysis encompassed univariate analysis using descriptive statistics, bivariate analysis by adoption of the chi square test and multivariate analysis including analysis of variables.

5. Data Discussion

5.1 Household Characteristics of Respondents
The most critical household characteristics considered are gender, age, educational attainment, and household size of respondents. The respondents consist of 53.78% male and 46.2% female. Results indicate that most of the respondents are within the working ages of 16 to 45 years, making up over 80% of the population.

The population is relatively literate according to UNESCO standards which recognize anyone with at least secondary education as being literate, with about 73% having a minimum of secondary school education.

About 48% of the respondents live in Brazilian type rooming houses, sharing facilities with other residents. Average household size is 4-6 for the entire population. Households of between seven and nine make up about 15.91% of respondents. Large households of more than ten people comprises 3.78% of all the respondents and was particularly evident in neighbourhoods like Ajegunle (12) and Mushin (10). See Table 1.

<table>
<thead>
<tr>
<th>Variable</th>
<th>N=394</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gender</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>213</td>
<td>53.78</td>
</tr>
<tr>
<td>Female</td>
<td>183</td>
<td>46.22</td>
</tr>
<tr>
<td><strong>Age</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>≥15</td>
<td>8</td>
<td>2.02</td>
</tr>
<tr>
<td>16-30</td>
<td>165</td>
<td>41.66</td>
</tr>
<tr>
<td>31-45</td>
<td>162</td>
<td>40.91</td>
</tr>
<tr>
<td>46-60</td>
<td>50</td>
<td>12.63</td>
</tr>
<tr>
<td>≤ 61</td>
<td>11</td>
<td>2.78</td>
</tr>
<tr>
<td><strong>Highest level of education attained</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No Formal Education</td>
<td>30</td>
<td>7.58</td>
</tr>
<tr>
<td>Primary Education</td>
<td>77</td>
<td>19.44</td>
</tr>
<tr>
<td>Secondary Education</td>
<td>162</td>
<td>40.91</td>
</tr>
<tr>
<td>Tertiary Education</td>
<td>127</td>
<td>32.07</td>
</tr>
<tr>
<td><strong>Household size</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1-3</td>
<td>94</td>
<td>23.74</td>
</tr>
<tr>
<td>4-6</td>
<td>225</td>
<td>56.81</td>
</tr>
<tr>
<td>7-9</td>
<td>63</td>
<td>15.91</td>
</tr>
<tr>
<td>≤ 10</td>
<td>14</td>
<td>3.54</td>
</tr>
<tr>
<td><strong>Housing Tenureship</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owner occupied</td>
<td>59</td>
<td>14.87</td>
</tr>
<tr>
<td>Inherited/ family owned</td>
<td>47</td>
<td>11.84</td>
</tr>
<tr>
<td>Tenant</td>
<td>275</td>
<td>69.30</td>
</tr>
<tr>
<td>Squatter</td>
<td>15</td>
<td>3.78</td>
</tr>
<tr>
<td><strong>No of rooms for exclusive household use</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>81</td>
<td>20.41</td>
</tr>
<tr>
<td>2</td>
<td>142</td>
<td>35.78</td>
</tr>
<tr>
<td>3</td>
<td>123</td>
<td>30.99</td>
</tr>
<tr>
<td>&lt;4</td>
<td>50</td>
<td>12.60</td>
</tr>
<tr>
<td><strong>No of households in the buildings</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>24</td>
<td>3.05</td>
</tr>
<tr>
<td>2-4</td>
<td>96</td>
<td>24.19</td>
</tr>
<tr>
<td>5-8</td>
<td>202</td>
<td>60.90</td>
</tr>
</tbody>
</table>
In comparing the means across the neighbourhoods, One sample statistics show that P value for access to basic household facilities are significant at P<.05. That means that there is a significant intra-group variation in the access to basic housing and environmental facilities. The decision rule is that if P-Value is less than $\alpha=0.05$, reject the null hypothesis, otherwise accept. Since P-values for all the variables are all less than $\alpha=0.05$, the conclusion is to reject the null hypothesis and accept the alternative which states that there is a difference between the mean across neighbourhoods in at least one of the neighbourhoods.

### 5.2 Employment Structure

Almost 80% of the respondents are employed in the informal sector exclusively. Only about 20% of the respondents are employed in the formal sector. 10% are employed by both government and private concerns. Because of lack of educational qualifications, most of these jobs are low paying junior staff employments such as janitor, office assistants etc.

About half of all respondents are involved in informal trade activities. These range from petty trading to hawking to selling of cooked food and raw farm produce and other minor household items. Informal service sector accounts for 39% of the respondents. These activities include hairdressing and barbing, tailoring, secretarial services, horology, sign writing, photography and auto repair services. Informal manufacturing is done by only 7% of the respondents and includes cobbling, production of sachet water and packed food, nylon production, crafts, carpentry and metal works. This disparity may be due to the fact that skills are required for services and manufacturing. They are also relatively capital intensive since one will need to purchase equipment and plants to operate in the subsector.

Table 2 also shows that more than 70% of the businesses are sole proprietorships which is the nature of most informal survivalist enterprises that dominate the entire study area. Partnerships account for about 24% of all businesses. The high value recorded in the high density areas may be because of the need to combine incomes in order to break even and transit from survivalist to transition enterprises. Over 70% of the enterprises employ between one and four apprentices, mostly members of their families. Unpaid family workers make up about 8% of the staff strength. Over 80% of the respondents run kinship based enterprises in which the ownership of the business lies with them and/or members of their families. Owner managed businesses in the high density areas account for 71.37 of all businesses sampled.
Almost 60% of the businesses have no form of registration with appropriate authorities. About 25% have local government trade permits; while only 11% of the respondents have registered their businesses with the Corporate Affairs Commission. The major sources of funding for most of the businesses is a combination of savings, thrift and cooperative loans. Only two respondents making up less than 1% have ever taken bank loans and this is because of the high interest rates and the difficulty of getting collaterals. Furthermore, most of the businesses are quite small and lack legal status and so are unable to access credit. 34% of respondents have obtained cooperative society loans, which were repayed within twelve months. They expressed satisfaction with the procedure and method of payment as well as the flexible interest rates.

Participation in social groups (cooperative/ thrift society and/or local chapter of artisans association) was discovered to be a key parameter for the survival of the HBEs in the study area. These groups are the social security mechanism in place for low income earners. The key variables considered were membership of social groups, as well as knowledge and participation in poverty alleviation programmes.

It was discovered that 61% of respondents belong to social groups. These social groups, usually under the aegis of crafts and tradesmen associations double as cooperative, credit and thrift societies. The respondents were asked to rank the various poverty alleviation programmes in order of effectiveness and sustainability. The respondents were mainly interested in the following groups activities in order of priority -Self-help groups; faith based organization; Lagos State Government; Federal Government. While the government programmes were structured, selection of participants was based on political affiliation. Only 45% of respondents had participated in any poverty alleviation programmes.

In order to determine if there is any significant difference the various types of poverty alleviation programmes, the test of homogeneity of variance was done. The results are shown in Table 3 below.

<table>
<thead>
<tr>
<th></th>
<th>Levene statistic</th>
<th>Df1</th>
<th>Df2</th>
<th>sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government</td>
<td>7.744</td>
<td>47</td>
<td>594</td>
<td>.000</td>
</tr>
<tr>
<td>NGO</td>
<td>6.903</td>
<td>46</td>
<td>588</td>
<td>.000</td>
</tr>
<tr>
<td>Religious organizations</td>
<td>10.499</td>
<td>46</td>
<td>594</td>
<td>.000</td>
</tr>
<tr>
<td>Cooperative societies</td>
<td>10.071</td>
<td>47</td>
<td>594</td>
<td>.000</td>
</tr>
<tr>
<td>Self help organizations</td>
<td>7.696</td>
<td>47</td>
<td>603</td>
<td>.000</td>
</tr>
</tbody>
</table>

Table 3.: Test of Homogeneity of Variance of Types of Poverty Alleviation Programmes

Since the P-Values are all less than $\alpha=.05$, the conclusion is that there is difference in homogeneity of variances occurs in at least one of the sampled neighbourhoods.
5.3 Income and Asset Ownership of Respondents
The major variables tested here are possession of basic assets i.e. car, motorcycle, ownership of land or house. Data was also gathered on the number of additional income earners in the family as well as number of streams of income. Incomes from home enterprise and other sources are also gathered.

Table 3 revealed that about 49% of the respondents rely solely on their home enterprises. The modal monthly income from home enterprises is ₦7,500 – ₦15,000. This accounts for about 29.21% of respondents. With 53.85% of respondents earn less than ₦15,000 monthly from their home enterprise, while 24.64% earn below the national minimum wage of ₦7,500, this set of people automatically fall under the absolute poor category.

Respondents rely on multiple streams of income for survival. About 20% of respondents are also employed in the formal sector of the economy, particularly as junior staff in government organizations. Other sources of income include income from abroad (16.5%) and returns from thrift/ cooperative collaborations (24.9%). This confirms the generally held view that cooperative societies are the insurance of the low income earner Other members of the family also contribute to family survival. They include spouses (69%), children (17.5%) and other relatives (13.46%).

When asked about possession of assets, over half of the respondents returned positive answers for house and land, even though most of them claimed such landed properties were located in their home towns and villages. About 40% of respondents own cars or motorcycles, most of which are used for income generation as taxi-cabs, kabukabu or okada.
On possession of household items, a clear demarcation could not be determined on which assets are used for business and which are used exclusively for the household. An example is the electricity generating set. Over 64% of the respondents own electricity generating sets, primarily because they consider it as essential for their business survival. However, these sets are also used in the household after the business day is over. While all respondents have electric fans, only 3.5% own air conditioners, which are considered as business incentives mainly for those in commercial business centres. The DVD player is considered an essential item for recreation; hence more than 80% of the respondents in the study area own them. The proliferation of cheap imported/second hand items makes the possession of household item such as television, compact disc player and refrigerator easily accessible to most households.

The relationships between income levels and informal employment characteristics are further corroborated by chi-square tests. Results show that there are significant differences in the nature of business and type of business registration as well as source of business funding.

5.4 Home and Workplace Linkages

To determine the relationship between variables of deprivation and participation in home based enterprises, the Zero-order Pearson correlation matrix was used. Both the informal participation and deprivation variables were used as control variables and their results were compared.
When variables of informal participation are held constant, significant positive correlations exist between income from primary employment and house ownership as well as car ownership and source of funding. Income from secondary employment a majority of the enterprises employ between one and four apprentices. Business location is usually rented shops for about 75% of the respondents, with about 9% of them operating along the street. About 6% of respondents use part of their living quarters for their enterprise. More than 90% of the respondents live within the vicinity of their businesses. i.e. less than 2km from their business premises

When deprivation factors are held constant, there are not significant correlation values, although type of business and source of business funding have a very small positive correlation. Position in business is moderately positively correlated with type of business. Business registration has a negligible negative correlation with business funding, type of business and position in business. It can be inferred therefore poverty and informal sector participation are related in that informal enterprises has a great influence on the level of poverty.

6. Policy Issues and Recommendations

The study revealed that home based enterprises offer a means of survival to many who would otherwise have been unemployed. Participating in HBEs provide a reliable social security framework for the low income neighbourhoods, in addition to providing finance and other institutional support for transiting from survivalist to growth enterprises.

The challenge therefore is how city managers can harness the potentials of this ubiquitous urban phenomenon. Urban and regional planning has a significant role to play in ensuring that communities continually upgrade to improve their global relevance and local standards. Planning strategies to enhance local economic development, poverty alleviation and environmental sustainability must be deployed.

Key to the Sustainable Livelihoods concept is Pro-poor planning which advocates an integration of community development efforts with urban economic development strategies. The neighbourhoods surveyed are suffering from economic insufficiency as well as environmental decline, hence the need to ensure employment opportunities, to supply necessary public and private infrastructure, thereby improving quality of life.

The role of local economic development within a community includes setting up, running, and supporting an endogenous network able to catalyze development. The essential mission of LED agencies is to create jobs, promote and support small and medium-sized enterprises, improve the economic context and opportunity of the territory and use businesses as a weapon in the fight against poverty. LED initiatives include ensuring the functionality of local investment climate in order to boost local businesses, the encouragement of new enterprise, attracting outside investments and investing in physical infrastructure. Other strategies involve human resource development and institutional support systems, supporting the growth of particular clusters of businesses, targeting certain disadvantaged groups and particular parts of the city for regeneration and supporting survivalist businesses.
Settlement upgrading should integrate economic, social, legal, financial elements of development, creating conditions that enable community action. Nongovernmental organizations also have a part to play in that in acting as facilitators, they can serve to bridge the gaps between the communities’ and municipalities.

Community Development is the empowerment of people, of organizations and of communities to attain or restore viability. It does so by motivating change in the nature and stocks of both social and economic capital. Such an approach is tantamount to a sort of indigenous development, in which local resources are assembled to kick-start the progression that would bring prosperity to places where it is initially in short supply. Community Development is a means for evoking participation of community members to muster resources and coordinate their strategic usage in support of community-based goals. Community development aims not only to elicit the character of a desired future through community involvement in decision-making, but also seeks to harness the community in attracting needed resources and nurturing social capital gains.

It is essential that Pro-poor Planning Strategies must be adopted for the planning of cities and new towns. Physical planning of the city must be placed at the service of the fight against poverty, creating a facilitating environment for the development of informal activities, by delineating certain areas as market areas within residential neighbourhoods, encouraging mixed use development and making provision for light industrial areas to serve cottage industries.

7. Conclusion

About 70% of the 17 million residents of Lagos metropolis are considered poor, and can only survive by participating in informal activities, starting from the basic level of home based enterprises.

Home based enterprises have a positive effect on both average household income and the general welfare of the local neighbourhood. The study revealed the social security mechanisms inherent in social groups that are formed around these HBEs help in local economic development as well as community engagement.

Ensuring that city improvement policies assist the viability of HBEs and accept them as a reality of urban life will aid in helping low income communities achieve sustainable development which can be interpreted to economic development, employment opportunities and social progress, in harmony with the environment. (ICLEI, 1996).

References:
Davis, Mike.(2006) Slum like it not: in the world’s slums, the worst of poverty and environmental degradation collide. www.oriononline.com .
Ghafur, Saleemah. (2002) “Gender Implications of space use in home based work”; in Habitat International 26 (1)33-50


Strassmann, Paul. (1986) “Types of neighbourhood and home based enterprise: evidence from Lima, Peru”; Urban Studies 23(2) 121-144


Yunusa. Mariam(2011) Planning Cities for Wealth Creation; Public lecture Urban Dialogue Series at University of Lagos