

## Mode of Business Agreement with the Quantity Surveyor in the Informal Sector Economy of Nigeria: The Sustainability of Professional Standards

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### Abstract

Studies on informal employment have evaluated its quality on the basis of lists of indicators such as earnings, working schedule, observable perks at work, commuting time, and other observable job-related benefits. This study observes the mode of business agreement between the quantity surveyor and the client in this sector as a good proxy for the quality of informal employment and even for the quality of quantity surveyors' life. This study adopted survey method in achieving the mode of business agreement between the quantity surveyor and the clients in the informal sector. Primary data were obtained through structured questionnaire administered on clients engaging the services of quantity Surveyors in the informal sector and registered quantity surveyors in Ogun state, Nigeria. Analysis of the data was done using Statistical Package for Social Scientists (SPSS). However, it is discovered that formality in business agreement exists in this sector and so allows for a conclusion to be made that there is high survival rate for any quantity surveyor that ventures into this sector in terms of the code of professional practice.

**Keywords:** Business agreement; Informal sector economy; Professional standard; Quantity surveyor; Sustainability

### Introduction

#### Conceptualizing the informal sector

The progressive influence of the informal sector on the economy of developing nations [1], Nigeria inclusive is giving it a strategic significance. In the same vein, the profession of quantity surveying has suffered a lot of set-backs in terms of engagement from clients, remuneration, variation of services, lack of awareness and the likes. Presently, this profession is faced with oblivion, whereby most Nigerians are ignorant of the name or role of the professionals and the benefits accruing from the services rendered by the professionals. Kadiri [2] found that 82.8% of the 430 respondents surveyed in Osun state, Nigeria misunderstood quantity surveyors for both land or estate surveyors; and the study also established that only 8.1% of young school leavers were aware of the role quantity surveyors play on construction projects.

Furthermore, it is expedient to note that this profession is recognized by the regulated and other professions (Miscellaneous Provisions) Act 1978 of Nigeria as one of the scheduled Professions; while Decree No. 31 of 1986 gave legal backing to it and also set up the Quantity Surveying Registration Board of Nigeria (QSRBN) to regulate it [3]. The level of awareness and patronage level by clients engaging their services in the informal sector was found to be low from previous studies; Babalola [4]. The absence of further research to determine the factors responsible for this low level engagement of the quantity surveyor by the clients prompted this study. The reality of the existence of the informal sector is becoming apparent by the day as more researchers tend to be gaining interest in this silent but significant sector. This sectors' employment in its diverse forms is gaining increasing attention within global and national development agendas. Statistics users concluded that the definition and measurement of employment in the informal sector need been complemented with a definition and measurement of informal employment [5].

The outcome of World War II was that the global economy underwent significant structural changes [6-8]. Particularly, the developing economies. Consequently, the influence of colonial dictatorship started diminishing and in gusto to catch on with the developed world, they, in conformity with the Prebisch's doctrine of post-Keynesian developments, emphasized on appropriate

macroeconomic policies and institutions for promotion of growth in leading sectors that would entail an overall growth of the economy [9].

The trajectory of development was essentially through the growth of organized economic activities by rapid industrialization that was expected to foster capital formation (Ibid). It is reflected that Prebisch and Keynes's shared the same idea on the diagnosis of the outstanding faults of free market economies, which are the failure to provide full employment and the arbitrary and inequitable distribution of wealth and incomes [1].

The developing countries were characterized by dualistic economic structures with the existence of both a developed urban market economy and a backward agriculture oriented subsistence economy at this postcolonial stage [9]. Moreover, the expansion of industries and the resulting economic opportunities in urban areas triggered rural-urban migration and massive urbanization. However, industrial development failed to generate adequate employment and income opportunities in the urban sector, so that the surplus urban labour force was compelled to generate its own means of employment and survival in the informal sector [10]. The dominance of the informal sector is one of the most important structural features of developing countries [10].

Dated back to the early 1970s when the informal economy was discovered in Africa [11-13], it has been subject to interpretation and debate and has gone in and out of fashion in international development circles. Regardless of the deliberations and criticisms, this informal economy has continued to prove a useful concept to many policymakers, activists, and researchers because of its significant influence on the economic units and the absorption of the workforce outside the world of regulated economic activities and protected employment relationships [1,10,14].

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Received April 27, 2015; Accepted July 24, 2015; Published July 30, 2015

Citation: Olanrewaju AT (2015) Mode of Business Agreement with the Quantity Surveyor in the Informal Sector Economy of Nigeria: The Sustainability of Professional Standards. J Civil Environ Eng 5: 181. doi:10.4172/2165-784X.1000181

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Moreover, the average size of the informal economy, as a percent of official GNI in the year 2000, in developing countries, is 41%, in transition countries 38% and in OECD countries 18%. Similarly, about 400 million African workers earn their livelihood in the informal sector and income generated supports additional 200 million others to survive [15]. The informal economy in Nigeria accounted for 21.3 billion of current USD in 2000 and 57.9% of GNP in 1999/2000 [16]. It is worth noting that the statistics on the informal economy are unreliable by virtue of the subject, yet they can provide a tentative picture of its relevance (Hernando de Soto, 1986). This rapid growth of the informal economy in the twenty-first century are attributable to some key drivers, which are; limited absorption of labour, particularly in countries with high rates of population or urbanization; excessive cost and regulatory barriers of entry into the formal economy, often motivated by corruption; weak institutions, limiting education and training opportunities as well as infrastructure development; increasing demand for low-cost goods and services; migration motivated by economic hardship and poverty; and difficulties faced by women in gaining formal employment [17].

Nigeria been one of the developing countries is experiencing rapid growth in its economy, acknowledgments go to the informal sector in terms of employment for massive populace and accounting for about 38% of the gross domestic product(GDP) [10]. The development of the informal sector follows closely the general pattern of urban development in Nigeria. Each phase in the development of Nigeria's cities and economy has its own dynamics in informal sector development.

Hitherto, in view of the paybacks of this sector over its shortcomings, it is high time the practitioners in this profession ventured into this viable sector and used it as a platform for development and creation of awareness in this twenty-first century.

Informal economic activities was documented to have a size varying greatly across nations, and strongly correlated with economic development, the tax burden, and the rule of law; also, it emphasizes small-scale, self-financed and unskilled labor intensive economic activities [12,18]. The common terms used to refer to the informal economy are invisible, hidden, irregular, shadow, non-official, unrecorded or clandestine and the common thread is that these activities are not reflected or imperfectly recorded in national accounting systems [12]. The precise definition of informal economy does not really exist.

The informal sector is characterized by the challenges of underemployment, bad working conditions, uncertain work relationships and low wages and finally, the majority of people are living with high income insecurity. Similarly, the following disadvantages of been employed in the informal sector are listed as follows, little or no job security, lack of protection by labour laws, odd working hours, lack of pension scheme and insurance or health insurance scheme, summary dismissals, difficulty of making any savings due to low wages and finally, brief illness or injury could mean no financial means to survive.

Notwithstanding the challenges highlighted above, the following advantages could accrue from been employed in the informal sector, and these are: some employers pay well because company owners do not have many tax obligations; employee effort is directed towards achieving profit rather than satisfying irrelevant routines; there can be a close and direct relationship with the employer, therefore making it easy to get permission when in need of time off; employees are saved the hassle of paying tax as they earn; there is no red tape when it comes to dealing with personnel issues which are expressly handled either

by the employer him/herself, or a senior manager; employment is sometimes done on the spot with little emphasis on attending lengthy job interviews and countless aptitude tests and finally a person could sometimes be employed because of personal relationship with the employer rather than on merit.

### **The employment structure in the informal sector economy and informal employment**

Informal sector employment in its diverse forms is gaining increasing attention within global and national development agendas. Statistics users concluded that the definition and measurement of employment in the informal sector need to be complemented with a definition and measurement of informal employment [5]. Obviously, there is a difference between employment in the informal sector and the informality of employment. The latter been characterized by absence of contracts, social protection, entitlement to certain employment benefits to mention but a few [19-21].

The prevalence of informal employment in the developing world is striking. Informal employment refers to jobs or activities that are not registered or protected by the state and the workers involved are excluded from social security benefits and the protection afforded by formal labour contracts [22]. Furthermore, there is no tax payments, no binding labour regulations, and more freedom for business activities all which outweigh the benefits accrued through registration and compliance for some workers. Hence, the majority of the workers cannot opt for scarce better jobs in the formal sector, while others voluntarily opt out of the formal system. In the same vein, there are two views addressing informal employment, the first views it as a trap where conditions external to the person end up forcing him or her to work in a low-quality job. The second view approaches informal employment as a way for people to escape from low-quality conditions and to pursue living conditions, which are relatively superior. In some instances, both views may coexist [19]. The majority of studies about informal employment evaluate its quality on the basis of lists of indicators such as earnings, working schedule, observable perks at work, commuting time, and other observable job-related benefits. The emphasis has been mostly placed on the earnings gap between those working in formal and those working in informal employment. Regardless of whether earnings gaps exist or whether they sustain themselves after controlling for workers' characteristics, researchers have frequently used these objective indicators as "good proxies" for the quality of informal employment and even for the quality of people's life (Ibid).

Conversely, employment in the informal sector is defined as comprising all jobs in informal sector enterprises, or all persons who, during a given reference period, were employed in at least one informal sector enterprise, irrespective of their status in employment and whether it was their main or a secondary job [5]. Information on the size and employment structure in the informal sector is hard to obtain, but estimates suggest that the sector accounts for between 45% and 60% of the urban labor force, up from about 25% in the mid-1960s.

In conclusion, informal sector refers to informal enterprises; informal employment refers to informal jobs, and employment in the informal economy can be defined as the sum of employment in the informal sector and informal employment found outside the informal sector.

### **The quantity surveyor and professional standards**

The submission of researchers such as Mlinga and Wells [23] about the characteristics of this sector been unorganized and unregulated and outside the purview of the government allows for an inference to be

made that the quantity surveying profession could have a slim chance of survival in the informal sector. This could most especially be due to the fact that there are principles and ethics guiding the quantity surveying practitioners [3,24]. This implies that manipulating contract relations for a professional in an unregulated environment could be tasking.

### Business agreement with the quantity surveyor in the formal sector

Consequently, it is opined in previous studies that both the informal and formal economies are intrinsically linked [25]. However there is still the need for an appropriate policy response that promotes more equitable linkages between them and that balances the relative costs and benefits of working formally and informally. Research shows that the verbal or unofficial means is the business agreement mode available for communication in the informal sector. However, the mode of business agreement with the construction professional specifically the quantity surveyor is not highlighted in any study, hence this study. Conversely, the business agreement route with the quantity surveyor as seen in the formal sector takes the official mode specifically putting every contract agreement in writing including the payment schedule, structure and services.

## Methodology

### Population sample and size

This study adopted survey method in achieving the mode of business agreement between the quantity surveyor and the clients in the informal sector. Primary data was obtained through structured questionnaire administered on clients engaging the services of quantity Surveyors in the informal sector and registered quantity surveyors in Ogun state. The first set of respondents are quantity surveyors clients in Mowe and Ibafo areas of Obafemi/Owode Local Government Area in Ogun state will be purposively selected for the study due to the massive on-going construction works that allowed for interaction with clients engaging quantity surveying services in the informal sector economy of the country. The study population for the informal clients will comprise of owners and caretakers of residential buildings in the study area. Pilot survey shows that Mowe is stratified into sixty-one (61) Community Development Associations (CDAs) while Ibafo is stratified into 59 streets. In Mowe, six (6) CDAs comprising of an average of 6 streets will be randomly selected giving a total of 36 streets. Each street consists of an average of (18) buildings to give a total of six hundred and forty-eight (648) buildings. Fifty percent (50%) of the selected buildings will be systematically selected to give three hundred and twenty-four (324) buildings to be sampled. Similarly, in Ibafo, 10% (6) of the 59 streets will be randomly selected. Each street consists of an average of twenty (20) buildings to give a total of one hundred and twenty (120) buildings. Fifty (50%) would also be systematically selected to give a total of sixty (60) buildings. The second set of the respondents would be the registered Quantity Surveyors in Ogun State. All the twenty-seven (27) registered Quantity Surveyors in the directory of the Nigerian Institute of Quantity Surveyors Ogun State Chapter (NIQS, 2012) would be sampled. The information to be elicited from the respondents will include: socio-economic characteristics of informal sector clients, engagement structure of quantity surveyors and the factors influencing their level of engagement.

### Method of analysis

Statistical Package for Social Scientists (SPSS) was employed and used to analyze the obtained data using descriptive and inferential

statistics such as Percentage Mean Index. The data was set on a likert scale of 5. The formular below depicts the calculation of the mean with the meaning of each scaling used.

$$MEAN = (\sum FX) / (\sum F) = (x1 + x2 + x3 + x4 + x5) / 5$$

### Level of Importance Scale

x1=Not Important, x2=Low Importance, x3=Fairly Important, x4=Important, x5=Very Important

## Findings

### Response rate of selected respondents

The study area is Ogun state in southwestern Nigeria. The respondents involved in the study were registered quantity surveyors and clients of quantity surveyors in the informal sector of the economy. A total of fifteen (15) properly completed questionnaire by the registered quantity surveyors and three hundred and twenty-four (324) by the clients in the informal economy representing a response rate of 84.38% and 55.56% out of a total of twenty seven (27) and three hundred and eighty-four (384) respectively that were recovered. The above figures show the copies of questionnaire administered, completed and returned for the analysis which provided quantitative data for the study.

This response rate is adjudged adequate by Babie [25]. The questionnaire had two parts; the first part identified the demographic features of the respondents; while the second part relates to the specific objectives of the study. The field survey covered owners and caretakers of residential buildings in the study area.

Moreover, Table 1 shows the distribution of the respondents. The percentage representation of the respondents recovered from the administered questionnaire as 4.6% for the registered quantity surveyors and 95.4% for the clients of quantity surveyors in the informal sector of the economy. This result expressed the generation of adequate opinion of the engagement structure of quantity surveying practice in the informal sector as both the informal clients and the construction professional are adequately represented.

### Mode of business agreement between the quantity surveyor and the client in the informal sector

Research shows that the written or official and the verbal or unofficial means are the business agreement modes available for communication with the quantity surveyor by the clients in the informal sector. However, the written or official means with a mean value of 17 takes the positive side of the average mean value of 16.9 as against the verbal or unofficial means on Table 2, though, this report seems incoherent with what is penned down by past researchers that economic activities in the informal sector are obtained outside the formal standard of economic transaction established by the state and formal business practices, although which may not be illegal. Sometimes these activities are claimed by past researchers not to

Respondents	Number Administered	Number Retrieved	Percentage Retrieved (%)	Percentage of Total (%)
Registered Quantity Surveyors	27	15	55.56	4.42
Clients in the Informal Sector	384	324	84.38	95.58
Total	411	339	82.48	100.00

Table 1: Response rate per selected respondent.

Business Agreement						Mean
Verbal/ Unofficial Discussion	18	24	11	23	8	16.8
Written/Official	9	8	7	21	40	17
Average Mean						16.9
<b>Perception of quantity surveyors on the possible mode of business agreement with quantity surveyors' for service engagement</b>						
Verbal/Unofficial Discussion	-	3	3	4	5	3
Written/Official	2	2	2	4	5	3

Table 2: Perception of clients on the possible mode of business agreement with quantity surveyors' for service engagement.

involve appropriate business permit tax evasion, non-compliance with labour regulations, governing contracts and work conditions and the non-existence of legal guarantees between suppliers and clients [26].

Thus inference could be that in the informal sector most clients reach business agreements with the quantity surveyor mostly in writing, which is one of the characteristics of the formal sector. Thus implying that some activities in the informal sector follow the modality in the formal sector, which is likely to help prevent disagreement over issues that could arise in the course of transacting business like fees, timeliness of operation and so on.

Conversely, the perception of the quantity surveyors to this question is that both the written or official and the verbal or unofficial mode have mean values equal to their average mean value as shown on Table 2, thus implying that in the informal sector most clients reach business agreements with the quantity surveyor both officially and unofficially, depending on the mode that best suits them.

Consequently, this result corroborates the submission of past studies that both the informal and formal economies are intrinsically linked [27]. However there is still the need for an appropriate policy response that promotes more equitable linkages between them and that balances the relative costs and benefits of working formally and informally. This is a future research which should be looked into.

The initial submission of researchers such as Mlinga and Wells [23] about the characteristics of this sector been unorganized and unregulated and outside the purview of the government actually allowed for the earlier inference made in the chapter two of this study that the quantity surveying profession had a slim chance of survival in the sector to be untrue. Especially for the reason that of the principles and ethics guiding the quantity surveying practitioners according to Dada and Jagboro [3] however, this discovery of formality in business agreement makes this study conclude that there is high survival rate for any quantity surveyor that ventures into this sector.

## Conclusion

It is discovered that formality in business agreement exists in this sector and so allows for a conclusion to be made that there is high survival rate for any quantity surveyor that ventures into this sector in terms of the code of professional practice.

In order to take the profession of quantity surveying to the next levels in this twenty first century, the benefits of the informal sector to the profession of the quantity surveying should be weighed against the dangers it poses and then a linkage be made between it and the formal sector most especially in terms of the mode of engagement structure. In view of the findings of this study that the sector does not encumber on the formal procedures of the profession not minding its characteristics, quantity surveyors are therefore enjoined to venture into the informal

sector of the Nigerian economy in order to aid increase in engagement for services.

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