



WOMEN'S WORK AND TAXATION IN THE INFORMAL ECONOMY:

Issues in Urban Governance in Nigeria



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EXECUTIVE SUMMARY



Taxation is fundamental to planning for citizen-centred development. However, the informal sector in Africa and particularly Nigeria is poorly integrated in taxation schemes. This neglect accumulates into cyclical developmental problems that affect provision of social services, maintenance of retail spaces and constantly debar the zeal for political participation and engagement in accountability mechanisms. Women artisans and vendors, operating in the informal sector, are particularly affected by these dynamics as this study, conducted in four states of Nigeria (Oyo, Imo, Niger and Kano), shows.

The intersection of women's work and taxation necessitated interviews with officials at the ministries of women's affairs at the state, and revenue collectors at state and local government levels as well as interactions with women working in the informal sector. 12 focus group discussions, three per state, consisting of ten female respondents took place between October 2018 and February 2019. A key consideration for choosing the four selected states was the level of rural to urban migration; with cities home to diverse informal economic activities.

A clear finding is that women in the informal economy lack a good understanding of what tax is and how it should support the governance system. Sporadic and irregular collection undertaken by consultants working on behalf of multiple tax collecting bodies and state and local government levels adds to the confusion over the amount

being collected, and for what purpose. Extortion is not uncommon when it comes to making payments. But the services gained from these payments are minimal.

All the women interviewed were assertive in their criticism of a lack of tailored local development. They cited the failure of the government to provide basic amenities to ease their existence as citizens as a reason not to willingly pay tax or see the benefits of making the contribution. Markets are neglected and although there are limited programmes in place to support women's economic empowerment respondents were rarely aware of them. Yet, despite this, during election times, market women and artisans agglomerate to support male politicians in election campaigns based on the claims that they have the financial power to distribute money and other benefits.

To address these shortcomings, the report proposes some short term recommendations - focused on targeted tax education, working with women-led market associations to improve their political bargaining strength and women-led advocacy for spending on social services in commercial and trading spaces - along with some longer-term approaches that can support structures to build the skills and political engagement of women in the informal sector. Increased women's engagement on the issue of taxation is seen as having a direct link to a growing interest in political participation through an interest to ensure that revenue collected is being used to deliver the social services as promised.







In principle, the government is expected to be accountable to the citizens, however, due to a lack of efficient tax structures to cater for all peculiarities in the informal sector, the quest for accountability remains a challenge.

INTRODUCTION



This report examines women's work and taxation in the informal economy based on focus group discussions and key informant interviews conducted in four Nigerian states; Kano, Niger, Imo and Oyo. The objectives of the research were to:

- 1** Analyse the ways women in the informal sector can be mainstreamed for tax compliance. 
- 2** Establish the features of women's tax compliance and participation in politics. 
- 3.** Examine the way women politicians can make a difference in using tax revenues for Provision of social services. 
- 4.** Aggregate the intersection of tax, politics and governance to enhance women's development. 

The informal economy in Nigeria, as in most parts of Africa, is characterised by extremely precarious working conditions, low productivity, low wages and low earnings while the nature and environment of work is often makeshift, rudimentary with little or improvised technology application and scant attention for occupational health and safety. It is estimated that as many as nine in ten rural and urban workers have informal jobs, and this is especially the case for women and young people, who rely on the informal economy for their survival and livelihood (ILO: 2009). The expanded definition of informality, adopted by the International Labour Organization (ILO), to capture “all forms of work that takes place in small and unregistered enterprises” is applied in this research.

Pozarny (2016) reported that women make up the majority of the informal sector. Women work in the Nigerian informal sector as market traders, street vendors, domestic helps or artisans. Zakaria (2001) argues that the inability of women to be mainstreamed in the formal sector, makes their work

hidden in the informal sector and yet they contribute enormously to economic development. The work of women goes unnoticed, unrecorded and excluded which Frishman (1991) notes leads to their contributions being neglected by officials, planners and economists.

To change or challenge the disadvantaged experiences of women in the informal sector in India, self-employed women's associations - with memberships in excess of one million - emerged to provide legal advice, housing support, access to credit, healthcare and education (Chant & Mcilwaine; 2016). This type of organisation occurred in the colonial state of Abeokuta. Funmilayo Ransome-Kuti positioned herself as a female activist and mobilised Egba market women to offer self-help services, utilising the platform to challenge the colonial state on irrational taxation and capitalist exploits (Oladejo 2019). The political radicalism integrated into these self-support groups had, and continues to have, impacts on governance. In the words of Moser (2016) such action suggests that, “women's economic



empowerment and transformation of gender roles is inherently a political process based on questions of agency [ability to make decisions and control one's assets] and power". Collective responsibility and organisational interaction with large governing institutions is important. Beall (1996) explained approaches to mainstream women in governance as a construct that should be gender sensitive to include full participation, awareness and competence among men and women. This research interfaces women's work in the informal sector with taxation and urban governance.

In Nigeria, the amalgamation of 1914 facilitated the British model of taxation (Ola, 1974). The fiscal policy introduced by the British is the model on which contemporary taxation is hinged. A National Tax Policy (NTP) was introduced in 2012. According to the NTP (2012), taxation is defined as a "pecuniary burden laid upon individuals or property to support government expenditure". The policy states that taxation is explicitly meant for national development. The articulation of the policy was designed to include the formal and informal sectors and serves as the template for taxation at state and local government levels.

The National Tax Policy delineates two types of taxes on individuals:

1 . Personal Income Tax: this is imposed on the income of all Nigerian citizens or residents who derive income in Nigeria and outside Nigeria.

2 . Development Levy: this is a flat charge imposed on every taxable person typically within a state (this is stipulated at the discretion of state and local governments).

Tax assessment takes two forms; self-assessment and government assessment. In the informal sector, presumptive income assessment is applicable to small enterprises in an effort to integrate those that have not complied with tax laws over time. The system is based on a general application of baseline rate across the tax base to avoid tax avoidance and to equalise tax burden. For the most part voluntary self-assessment is applied to those working in the informal sector.

The Nigerian government recognises the fact that taxation serves the purpose of representation and citizens demand accountability in return. Tax collection is on the concurrent list in Nigeria. It is collected by federal, state and local governments. The NTP "Rates" which include tenement rates, rates on shops and kiosks are applicable to the informal sector. While these taxes are individualised, taxes are a component of revenue applicable to the informal sector. Mostly, they are applicable to the state government. In principle, the government is expected to be accountable to the citizens, however, due to a lack of efficient tax structures to cater for all peculiarities in the informal sector, the quest for accountability remains a challenge.

METHODOLOGY



A qualitative study was adopted to examine the tax encounters of women in the informal economy in Oyo, Imo, Niger and Kano states. The intersection of women's work and taxation necessitated interviews with officials at the ministries of women's affairs at the state, and revenue collectors at state and local government levels as well as interactions with women working in the informal sector. 12 focus group discussions (FGD), three per state, consisting of ten female respondents took place. A key consideration for choosing the four selected states was the level of rural to urban migration; with cities home to diverse informal economic activities.

The women traders were purposively selected in markets and neighborhoods and included market traders, home workers, artisans and domestic workers, street vendors dealing in a wide variety of sales of goods including food items, clothes and footwear and providers of services such as tailoring, hairdressing and garment making. In Owerri, a small group of waste pickers were also part of the study. Questions at these discussions were focused around six key themes:

- 1 What forms of taxes, dues and levies do you pay to your local and state governments and do you think it is reasonable?
- 2 Do you think rates, rents and tolls collected by the local government are useful?
- 3 How does the benefit of health insurance accrue to you and your family?
- 4 What is the state of municipal services in your markets and communities?
- 5 In your view, what are the ways in which the taxes and levies can be utilised to provide or improve these services?
- 6 In your view, can women politicians ensure that tax-related payments are better utilised for needed services and other women's concerns?

METHODOLOGY

These were complemented by key informant interviews with the officials of the state revenue services and the ministry of women affairs on five key areas:

1. State and local government tax arrangements.
2. Capturing informal economy in the tax policy/approach of the state.
3. Gender considerations in tax-related activities.
4. Utilisation of revenue to target women.
5. Role of politicians in raising female voices on government policies like taxation.

Whilst interviews were conducted with personnel of state ministries in Imo and Niger, and with state internal revenue boards in Oyo, Imo and Niger a number of officials of the ministries and government agencies were hesitant to grant interviews. Even where they did so they had to be given assurances that their names would not be disclosed as several felt their objective opinions might contradict the subjective agenda of state governments.



KEY FINDINGS AND IMPLICATIONS

In the responses of women in the FGDs, tenement rates collected by local governments are similar across the four states. Mostly, women are not mainstreamed in sustainable tax plans and as a result the state and local governments pay lip service in offering the required social services.

AWARENESS GAP: “Tax awareness is almost zero” was the view of one revenue collector in Oyo. During the FGD's it became clear that many participants had an erroneous understanding of what taxation was. A number of women, especially traders, regard electricity and security bills as tax. There was also a general perception that tax collection and compliance is not applicable and not meant for women. This highlights the lack of citizen's awareness on taxation but also reflects the approach of the government, with one respondent noting that “the plan for revenue collection by the state governments, excludes women from meaningful tax assessment”. In Oyo, the state government made an attempt to address this awareness gap, and improve collection rates, in July 2018 by introducing the presumptive tax due which would be paid by men and women into its coffers through the use of point of sale system. The starting point for its implementation was to encourage market women to pay a minimum of N10 daily as presumptive tax, with the primary purpose of creating greater awareness. However, there are concerns that such an approach is not politically sustainable.

another issue raised by respondents in Niger State further illustrates the lack of awareness as to who should be collecting taxes and for what purpose. In addition to the Local Government Tax Committees and the Niger State Inland Revenue Board, there is also an Urban Development Board that collects the same forms of tax in the state. This multiplicity of tax collecting authorities explains why the women in the state claimed they paid the same form of tax several times in a year; perhaps unaware they are actually paying levies for different services that have been poorly communicated to them by agents of the state authorities.

POLITICS AND TAX RESISTANCE: There is a lack of a defined policy that focuses on capturing women in the tax policy of the state. Taxation is not gender biased and the structure of taxation is based on the NTP. But revenue collectors were of the view that politicians in government (at the state level) are not interested in collecting tax from women in the markets and who vend in the streets as they believe their income is not sufficient to place a tax on them. One revenue collector also explained that political considerations manifest in tax regime administration as politicians feel; “if they (market women and

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vendors) are taxed their votes will not come forth at elections”. A revenue collector in Oyo State posited that during instances of tax raids, women often call local male politicians at local government levels to wade in and order the collectors to stop. Political appointees stop these revenue collectors from collecting rates as expected from women, in order to win their votes in upcoming elections.

C. **Consultants and revenue collection:** The states and local governments resort to the use of consultants to perform collection services, as a way of outsourcing and improving collection. In Oyo State, consultants maintain some levels of commitment to efficiency, but at the local government level, revenue collectors complained that the consulting companies usurp their roles. Interviewees noted that the volume of remittance of taxes is not monitored, opening the door to corruption. In addition to rumours that these consultants engage in shady deals, the conduct of the consultants in the use of force often induces taxpayers to engage in evasion. In Oyo and Imo states women circulate information on the arrival of collectors to the markets and halt business activities to avoid compliance.

D. **Administrative and enforcement machinery:** Most of the procedures in tax collection are fraught with challenges and inadequacies. At the local government level, revenue collectors in Oyo and Kano states were of the view that their procedures are attuned to leadership styles of government and that tax collection models change with leaders. The lack of a comprehensive database is identified as part of the challenge of collection in the informal sector. In Oyo State it was mentioned that the demography of members cannot be ascertained and is deliberately reduced by market association representatives liaising with the government. Furthermore, infrastructure and equipment for collection does not work effectively. As one official in Oyo noted, “the rates we collect are not adequately taken, the associations within the informal sector present falsified databases and insist that they collect the revenue on our behalf. We don't have accurate figures. We have to go campaigning to make them pay on an individual basis. The street and market vendors are difficult to capture, they don't want to comply”.

E. **Inefficiency of social services:** Revenue collectors claim that their local governments work out arrangements to cater for social services. But the provisions are implemented in the context of a top-down approach where the government takes policies as an opportunity to score political points, rather than target the specific needs of citizens, such as women in the informal economy. All the women interviewed were assertive in their criticism of a lack of tailored local development. They cited the failure of the government to provide basic amenities to ease their existence as citizens as a reason not to willingly pay tax, or see the benefits of making the contribution. Intermittent interventions do occur to offer paltry social services such as medical check-up programmes or cash transfers to support businesses, but they are not extensive or sustainable. In Niger State, women outlined that they wanted an end to discriminatory fees, the

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employment of more teachers and an increase in the number of healthcare providers. In Imo, women complained about the demolition of markets and how this has led to significant loss of income. Respondents wanted business credits to be made available for them to boost trade.

There are federal government intervention programmes such as the Government Empowerment and Entrepreneurship Programme (GEEP) - under which women traders are targeted for loan disbursements varying from N10-50,000 - and the Conditional Cash Transfer programme which targets very poor women with the sum of N10,000 monthly. But the majority of women who participated in the FGDs were unaware of these schemes. Market women in Bida and Owerri claimed complete ignorance of such federal government schemes as the GEEP even as they loudly pleaded for assistance to improve their businesses.

This was true of programmes at the state level too. In Imo State there is no shortage of programmes and schemes aimed at women economic and social empowerment. There is a market development programme aimed at building community markets in every neighbourhood, a free education and free healthcare programme for children under five, a campaign against female genital mutilation, a widowhood law that has been enacted in the state to address practices that violate the human rights of widows, skills acquisition centers to train women and girls in soap making, bead making, interior decoration and a deliberate policy of encouraging women's participation in politics and public administration. Imo boasts 7 female commissioners in sensitive ministries such as the Ministries of Works, Education and Agriculture and there are two women local government chairmen and several women councilors. But there is a huge gap between these laudable programmes and schemes targeted at female empowerment and the actual materiality of these programmes on the ground. Apart from the school feeding programme which is limited to primary 1-3 pupils in public schools, which respondents acknowledged, no other single programme apart from the Graduate Skill acquisition program under the N-Power programme of the federal government, was acknowledged by focus group respondents.

F. **Ethnicity, social norms and women's work:** In Kano religion and conservative social norms are a deciding factor that brings indirect exemption for indigenous women. In Muslim dominated Kano, gender biases, in terms of recognising women's work, has perpetually put women out of the public space and out of the reach of tax collectors. Most of the women, who are indigenes, say “we do our business from home and if we have to pay, we must know what it is used for”. Our fieldwork revealed about 90% of Kano women are self-employed, but working from home. Social norms make the work of self-employed women hidden from national planning. Focus group respondents in the state expressed that whilst they do not pay tax, it is not because they are women, but because society rarely allows them to work outside the home. Those spoken to for this research expressed a willingness to pay tax on the assumption that the governing systems provide basic needs regularly.

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In northern Nigeria women are still present in the visible informal economy; it is simply that non-indigene ethnic groups dominate. Markets are filled with women who are not from northern Nigeria. These women pay rates - such as tenement rate and waste fees - and suffer from the lack of social protection programmes within the markets. In southern Nigeria, women's work is more closely associated with the public space and this makes them more visible when it comes to tax assessment. The non-indigene versus indigene debate was one raised during several of the FGDs. In Niger State some alleged discrimination in terms of payable fees for education. It was alleged that non-indigene women pay N24,000 in West African Secondary School Certificate Examination (WASSCE) fees while the state government subsidises the fees for indigenes, who pay only N14,000.

G . Extortion: Several respondents reported becoming entangled in security issues related to their businesses, but opined that there are no avenues they can explore to get legal services to address anomalies. In a criticism of the local governing systems in the states, they were of the view that the rates paid should include services that allow access to legal support. Several artisans narrated their ordeal in encounters with the police where they end up paying extortion to secure their business interests. In Bida, respondents mentioned the payment of N20 daily to the 'Emir's Palace' without any discernible service provided by the palace for this payment. In Owerri, respondents talked about payment of N300 three times daily, morning, afternoon and night by market and street vendors to operatives of 'Owerri Indigenous Rights'. In fact, incidences of harassment of market and street vendors are high and the disorganised physical nature of the markets does not support the specific needs of women.

H . Neglected markets: From interactions and observations of the spaces food commodity vendors occupy in the markets, it was noted these are unhygienic places for traders, the commodity and the consumer. At most of the markets in Oyo and Kano states, these conditions have implications for health and longevity because of the risks associated. This is despite the fact that women pay N1,500 monthly in user fees in markets in Kano. Women reported relying on private water vendors, boreholes and streams for their water supply as there is no public water supply system in Owerri. In Bida and Owerri, they noted that despite being made to buy 'waste disposal drums' for N5,000, the local waste disposal departments leave the drums overflowing with waste. They also reported very poor electricity power supply as affecting their work.

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I. **Support to male politicians:** During election times, market women and artisans agglomerate to support male politicians at election campaigns based on the claims that they have the financial power to distribute money and other benefits. According to Oladejo (2015), this practice is rooted in the history of informal economies of the colonial era in Western Nigeria, where politicians in the era of internal self-rule of the 1950s perpetrated this act to attain victory at elections. Women discussants across the FGDs felt that in doing so they become powerless to question bad governance after elections, but in spite of that, such 'give outs' are considered important to induce voters. The market women admit that they are given, and readily accept, token gifts to vote at elections.

Respondents expressed skepticism about women taking up public offices, echoing traditional prejudices, but were very quick to admit that female public officials would most likely be more compassionate. In Bida, a respondent explained that from her experience, women public officials are easier to approach because a male public official might even assume that a woman wants 'something else'. A director at the Niger State Board of Inland Revenue believes women generally have a keener sense of civic responsibility and that they more readily pay their taxes while female property owners also more readily pay their tenement rates. In his view "...a female school proprietor would seek advice about tax assessments and pay promptly while their male counterparts would be very hostile". However, the respondents agree that female politicians can rarely make a difference and consider them of little impact except when they approach governance with a more women-focused lens.

J **Drawing links between formal and informal economies:** In at least two of the four states where this research was conducted it was noticeable how women interviewed drew important links between the need for broader socio-economic development as a way of supporting the informal economy. Women in Bodija Market, the largest cosmopolitan market in Oyo, were of the view that the government should pay worker's salaries promptly because it would boost their own sales. This was a view echoed in Niger State where one female respondent noted that "...there is a lot of poor sales because people don't have money to make purchases. If workers collect their pay as and when due, they would also spend on goods and services provided by traders". This finding points to an interesting idea, though perhaps not one thought through by all respondents, that paying taxes, which in turn pay the salaries of government employees can have direct benefits to informal traders, but only when taxes are reinvested accordingly. It is also true that regular payment of public workers' salaries and entitlement as well as employment of more personnel to relieve overstressed workers in the public sector would not only boost their morale, but also radically improve the quality of service provision. Better healthcare and education facilities have knock on effects for those operating on the margins with less disposable income to spend on basic services.

RECOMMENDATIONS



Aggregating the findings from the four states reveal that revenues from levies collected on behalf of state and local governments are not remitted to improve infrastructure for specific public goods that align with women's priorities. Therefore, short-term focused perspectives of intervention should be aimed at:

01

Reconstructing markets with modern retailing designs convenient for health, safety, security and economic advantage to make a decent workspace. State governments should enlist market reconstruction as an agenda in public-private partnerships to elevate the markets into modern retail spaces.

02

Public awareness campaigns on how and why to pay tax targeted at women. Tax education should be a constant governance practice to all levels of citizens. Tax agencies should work with adult education experts to map out teaching and learning strategies for taxation peculiar to market women.

03

Efforts to improve the collection process (and the transparency of that process) through the use of digital tools. This should also tie with the teaching and learning process to ensure optimum compliance.

04

Working with women-led market associations to improve their political bargaining strength. While taxation will ensure market women's integration into planning schemes, it is important for female politicians to reflect the views of market women in the political manifesto or action plan of political parties. This improves grassroots participation in politics.

05

Increased spending on social services in commercial and trading spaces. Having structured acceptable means of market women's learning and compliance to tax, it is imperative to institutionalise means of maintaining social services in the markets.

06

Technical and entrepreneurial training can acquaint vendors, artisans and traders on how to effectively do business in the retail spaces. Further support can be offered by improved access to credit.

RECOMMENDATIONS



Long-term interventions should be focused on enhancing the goals of human development as set down in the Sustainable Development Goals (SDG). The following recommendations are intertwined interventions and processes that can ultimately enhance tax mainstreaming and improve means of political participation for women:

A WOMEN ENTERPRISE REGISTRATION (WER):

This should operate at the local government level to ensure individualised identification of women's businesses. The responses from revenue collectors at both states and local government show that collection is politicised and biased based on political party affiliation. Party politics and governance is a significant player in democracies, but they should positively influence development. The WER model would work to monitor tax-related payments made by women, with the ambition of instilling a sense of collective responsibility to demand accountability for how those payments are used by the state. It also works as a source of valuable information for female politicians wanting to engage women in the informal sector for engagements such as participatory budgeting.

B FEMINISED EASE OF DOING BUSINESS (FEMEODB):

A Feminised Ease of Doing Business (FemEODB) is important to gradually improve women's enterprise. This would include supporting better access to business education and micro-finance; to improve their capacity to keep business records; and to set aside specific spaces for this to happen. Over time, the features of FemEODB will upscale women's work, enhance the right to legal procedures and support them in securing the necessary fillings and documentations to expand their business activities.

C MARKET WOMEN WELFARE PROGRAMME:

Undertaking a census of markets to identify the status of women and their specific needs such as childcare services, sanitary facilities and health centres. This information would then work to build a partnership between government ministries of women's affairs at the state-level, commerce and industry and financial institutions to cater for specific needs such as business spaces, business training, literacy programmes, health campaigns and financial plans.



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